

**CITY OF LEXINGTON,
TENNESSEE
ANNUAL FINANCIAL REPORT
JUNE 30, 2019**

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2019

PUBLICLY ELECTED OFFICIALS

Jeff Griggs	Mayor
Sandra Wood	Vice-Mayor
Emmitt Blankenship	Alderman
Peggy Gilbert	Alderman
Jack Johnson	Alderman
Tim Rhodes	Alderman
Gordon Wildridge	Alderman
Gabe Williams	Alderman

MANAGEMENT OFFICIALS

Sue Wood	CMFOA Designee
Michael Harper	Utility General Manager
Cody Wood	Accounting Manager



Independent Auditor's Report

To the Mayor and City Aldermen
City of Lexington
Lexington, Tennessee 38351

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 58%, 57%, and 78% respectively, of the assets, net position, and revenues of the business-type activities.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 58%, 57%, and 78% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the schedule of funding progress on pages 94 through 95 and other required supplementary information on pages 96 through 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and other supplemental information, except for that which has been marked "unaudited", are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the AWWA Free Water Audit Software: Reporting Worksheet, and the AWWA Free Water Audit Software: System Attributes and Performance Indicators – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



January 24, 2020

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Our discussion and analysis of the City of Lexington, Tennessee, will offer readers of the City's financial statements a narrative overview and review of the financial activities of the City for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 10. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents financial information on all of the City's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, police, fire, public works, health, welfare, and recreation, economic development and debt service. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's gas, water and sewer, and electric operations are reported here.

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds (not the City as a whole). Some funds are required to be established by State law. However, the City Board establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as Trustee – The City maintains two types of fiduciary funds for which it is the trustee or fiduciary. The agency fund is used to account for student activity of the local city school. The pension trust fund accounts for pension contributions, benefits, and distributions. Both of these funds are reported in a separate Statement of Fiduciary Net Position page 32, and the Statement of Changes in the Fiduciary Net Position for the Pension Trust fund is on page 33. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 93.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 94 - 104 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 105 - 118 of this report.

THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,042,418 at June 30, 2019.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,858,366	\$ 11,018,170	\$ 28,836,918	\$ 31,152,367	\$ 40,695,284	\$ 42,170,537
Capital Assets	26,122,060	26,462,286	77,336,730	74,602,190	103,458,790	101,064,476
Total Assets	<u>37,980,426</u>	<u>37,482,474</u>	<u>106,173,648</u>	<u>105,756,575</u>	<u>144,154,074</u>	<u>143,235,013</u>
Deferred outflows of resources	937,743	953,382	898,986	1,086,308	1,836,729	2,039,690
Long term liabilities	11,327,108	10,676,481	41,065,446	42,023,570	52,392,554	52,700,051
Other liabilities	694,860	497,487	6,031,916	6,437,665	6,726,776	6,935,152
Total liabilities	<u>12,021,968</u>	<u>11,173,968</u>	<u>47,097,362</u>	<u>48,461,235</u>	<u>59,119,330</u>	<u>59,635,203</u>
Deferred inflows of resources	3,439,513	3,368,644	1,389,542	744,713	4,829,055	4,113,357
Net Position:						
Net investment in capital assets	19,386,731	18,845,834	47,162,600	42,636,857	66,549,331	61,482,691
Restricted	1,035,788	642,490	4,369,003	4,580,274	5,404,791	5,222,764
Unrestricted	3,034,169	4,432,902	7,054,127	10,417,786	10,088,296	14,850,688
Total Net Position	<u>\$ 23,456,688</u>	<u>\$ 23,921,226</u>	<u>\$ 58,585,730</u>	<u>\$ 57,634,917</u>	<u>\$ 82,042,418</u>	<u>\$ 81,556,143</u>

There were prior period adjustments to net position in the prior year.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

The changes in business-type activities net position are described below:

- The City's Gas System had an increase in net position of \$375,011 which is compared to an increase in the prior year of \$782,208. This decrease in net position from the prior year to the current year is primarily due to an increase in the amount of natural gas sales along with an increase in the cost of natural gas purchases and overall expenses.
- The City's Water Systems Fund had a decrease of net position of \$294,100 compared to an increase in the prior year of \$165,816. This decrease in net position from the prior year to the current year is primarily due to an increase in employee benefits, repairs and maintenance, rent and bond issue cost expenses.
- The City's Electric Department had an increase in net position of \$869,902 compared to an increase in the prior year of \$540,146.

The following table provides a summary of the City's operations for the year ended June 30, 2019, with comparative totals for the year ended June 30, 2018.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>TOTAL</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,490,947	\$ 1,442,027	\$ 61,562,311	\$ 60,379,164	\$ 63,053,258	\$ 61,821,191
Operating grants and contributions	8,224,900	8,057,706	-	-	8,224,900	8,057,706
Capital grants and contributions	564,535	658,665	-	-	564,535	658,665
General revenues:						
Property taxes	2,251,212	2,210,195	-	-	2,251,212	2,210,195
In-lieu of property taxes	133,759	107,285	-	-	133,759	107,285
Public service taxes	134,246	139,417	-	-	134,246	139,417
Sales taxes	4,740,223	4,704,862	-	-	4,740,223	4,704,862
Investment earnings	125,041	83,200	243,149	149,474	368,190	232,674
Insurance recovery	180,007	-	-	-	180,007	-
Gain(loss) on sale of capital assets	(75,890)	1,629	45,032	18,049	(30,858)	19,678
Bond issue costs	20,819	-	-	-	20,819	-
Miscellaneous	124,940	392,372	2,661	119,694	127,601	512,066
Total revenues	<u>17,914,739</u>	<u>17,797,358</u>	<u>61,853,153</u>	<u>60,666,381</u>	<u>79,767,892</u>	<u>78,463,739</u>
						75,813,617
Expenses:						
General government and administration	3,171,472	1,072,662	-	-	3,171,472	1,072,662
Public safety	3,603,912	3,146,705	-	-	3,603,912	3,146,705
Public works	2,377,076	2,163,933	-	-	2,377,076	2,163,933
Health, Welfare and Recreation	9,562,085	9,521,354	-	-	9,562,085	9,521,354
Economic development	530,947	237,827	-	-	530,947	237,827
Interest on long-term debt	197,331	220,640	-	-	197,331	220,640
Paying agent fees	20,957	718	-	-	20,957	718
Water Systems	-	-	6,525,282	5,754,040	6,525,282	5,754,040
Natural Gas	-	-	6,535,664	5,782,343	6,535,664	5,782,343
Electric Department	-	-	46,819,826	46,575,041	46,819,826	46,575,041
Total expenses	<u>19,463,780</u>	<u>16,363,839</u>	<u>59,880,772</u>	<u>58,111,424</u>	<u>79,344,552</u>	<u>74,475,263</u>
Increase (decrease) in net position before transfers and contributions	<u>(1,549,041)</u>	<u>1,433,519</u>	<u>1,972,381</u>	<u>2,554,957</u>	<u>423,340</u>	<u>3,988,476</u>
Transfers	1,085,838	1,066,787	(1,085,838)	(1,066,787)	-	-
Capital contributions	-	-	64,270	-	64,270	-
Increase (decrease) in net position	<u>(463,203)</u>	<u>2,500,306</u>	<u>950,813</u>	<u>1,488,170</u>	<u>487,610</u>	<u>3,988,476</u>
Net position at beginning of year, as originally stated	23,921,226	21,605,460	57,634,917	56,046,291	81,556,143	77,651,751
Restatement - GASB 75	-	(188,213)	-	100,456	-	(87,757)
Inventory adjustment	(1,335)	3,673	-	-	(1,335)	3,673
Net position at beginning of year, as restated	<u>23,919,891</u>	<u>21,420,920</u>	<u>57,634,917</u>	<u>56,146,747</u>	<u>81,554,808</u>	<u>77,567,667</u>
Net position at end of year	<u>\$ 23,456,688</u>	<u>\$ 23,921,226</u>	<u>\$ 58,585,730</u>	<u>\$ 57,634,917</u>	<u>\$ 82,042,418</u>	<u>\$ 81,556,143</u>

THE CITY’S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$8,523,887 which is 3% above last year’s total of \$8,233,041.

The following schedule presents a summary of general, special revenues, debt service and capital project revenues and expenditures for the fiscal year ended June 30, 2019, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2019	Percent of Total	Increase (Decrease) from June 30, 2018
Taxes	\$ 6,382,800	35.88%	\$ 6,333,969
Intergovernmental	9,583,272	53.87%	9,498,265
Licenses and permits	23,096	0.13%	9,678
Charges for services	1,107,207	6.22%	1,079,892
Fines and forfeitures	252,050	1.42%	233,961
Other revenues	440,539	2.48%	417,688
Total Revenues	\$ 17,788,964	100.00%	\$ 17,573,453

Revenues were comparable from the prior year to the current year.

Expenditures	June 30, 2019	Percent of Total	Increase (Decrease) from June 30, 2018
General government	\$ 1,328,974	7.04%	\$ 1,048,690
Public Safety	3,318,468	17.57%	2,892,102
Public Works	2,138,767	11.33%	1,935,259
Health, welfare, and recreation	9,246,217	48.96%	9,088,057
Economic development	530,947	2.81%	237,827
Capital outlay	1,191,873	6.31%	1,577,024
Debt Service	1,128,109	5.97%	1,161,463
Total Expenditures	\$ 18,883,355	100.00%	\$ 17,940,422

Expenditures increased 5% from the prior year to the current year.

General Fund Budgetary Highlights

Over the course of the year the City and the School system revised their budgets at various times during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2019, the City had \$103,458,790 invested in a broad range of capital assets, including police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, electric plant and equipment, and various other equipment. This amount represents a net increase (including additions and deductions) of \$2,394,314, or 2.4% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$37,230,863 in outstanding long-term debt compared to \$39,915,203 last year. Of the total outstanding debt 18% belongs to the Governmental funds, 10% to the Gas Fund, 30% to the Water Systems Fund, and 42% to the Electric Department.

See Note 3.G for additional information.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City at 33 1st Street, Lexington, Tennessee.

Sue Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 7,640,473	\$ 22,059,844	\$ 29,700,317
Investments	-	100,000	100,000
Receivables:			
Property taxes	2,309,628	-	2,309,628
Accounts receivable, net of allowance	32,408	3,514,185	3,546,593
Grant receivables	118,255	37,322	155,577
Other receivables	47,504	195,496	243,000
Internal balances	62,256	(62,256)	-
Due from other governments	1,070,145	-	1,070,145
Escrow with the State	-	-	-
Inventory	36,901	748,611	785,512
Hybrid retirement stabilization funds	11,385	-	11,385
Natural gas storage	-	461,370	461,370
Prepaid expenses	175,781	525,507	701,288
Net pension asset	353,630	-	353,630
Other assets	-	1,256,839	1,256,839
Capital assets:			
Land and construction in progress	2,774,422	2,596,287	5,370,709
Other capital assets, net of depreciation	23,347,638	74,740,443	98,088,081
TOTAL ASSETS	37,980,426	106,173,648	144,154,074
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on bond refunding	-	38,077	38,077
Deferred outflows - employee benefits	887,965	848,876	1,736,841
Deferred outflows - OPEB	49,778	12,033	61,811
	<u>937,743</u>	<u>898,986</u>	<u>1,836,729</u>
LIABILITIES			
Accounts payable and accrued expenses	684,905	4,593,913	5,278,818
Customer deposits	-	1,154,223	1,154,223
Unearned revenue	9,955	-	9,955
Compensated absences	-	283,780	283,780
Long-term liabilities:			
Advances from Home Installation Program	-	508,200	508,200
Net OPEB liability	962,293	3,735,585	4,697,878
Net Pension liability	2,114,035	4,332,877	6,446,912
Landfill closure costs	207,753	-	207,753
Compensated absences	1,307,698	2,201,000	3,508,698
Due within one year	928,565	1,641,056	2,569,621
Due in more than one year, net of unamortized premiums	5,806,764	28,646,728	34,453,492
TOTAL LIABILITIES	12,021,968	47,097,362	59,119,330
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,237,121	-	2,237,121
Deferred inflows - employee benefits	1,038,852	1,383,205	2,422,057
Deferred inflows -OPEB	163,540	6,337	169,877
TOTAL DEFERRED INFLOWS OF REVENUES	3,439,513	1,389,542	4,829,055
NET POSITION			
Net investment in capital assets	19,386,731	47,162,600	66,549,331
Restricted for:			
Capital projects	-	2,748,870	2,748,870
Sex offender	3,418	-	3,418
State Street Aid Fund	173,449	-	173,449
E-citation	25,364	-	25,364
School Food Service	168,887	-	168,887
Hybrid retirement stabilization funds	11,385	-	11,385
Solid Waste Collection	102,195	-	102,195
Police Drug Fund	144,604	-	144,604
Lexington-Henderson Co Alliance	52,856	-	52,856
Pensions	353,630	-	353,630
Debt service	-	1,620,133	1,620,133
Unrestricted	3,034,169	7,054,127	10,088,296
TOTAL NET POSITION	\$ 23,456,688	\$ 58,585,730	\$ 82,042,418

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 3,171,472	\$ 133,062	\$ 192,404	\$ -	\$ (2,846,006)	\$ -	\$ (2,846,006)
Public Safety	3,603,912	254,640	101,235	475,416	(2,772,621)	-	(2,772,621)
Public Works	2,377,076	995,466	356,274	-	(1,025,336)	-	(1,025,336)
Health, Welfare and Recreation	9,562,085	107,779	7,574,987	64,119	(1,815,200)	-	(1,815,200)
Economic Development	530,947	-	-	25,000	(505,947)	-	(505,947)
Interest on long-term debt	197,331	-	-	-	(197,331)	-	(197,331)
Paying agent fees on long-term debt	20,957	-	-	-	(20,957)	-	(20,957)
Business-type activities:							
Gas Fund	6,535,664	6,842,185	-	-	-	306,521	306,521
Water Systems Fund	6,525,282	6,274,344	-	64,270	-	(186,668)	(186,668)
Electric Department	46,866,170	47,480,658	-	-	-	614,488	614,488
Total business-type activities	59,927,116	60,597,187	-	64,270	-	734,341	734,341
Total government	\$ 79,390,896	\$ 62,088,134	\$ 8,224,900	\$ 628,805	(9,183,398)	734,341	(8,449,057)

General revenues:			
Taxes:			
Property	2,251,212	-	2,251,212
In-lieu of taxes	133,759	-	133,759
Public service taxes	134,246	-	134,246
Sales	4,740,223	-	4,740,223
Investment earnings	125,041	243,149	368,190
Insurance recovery	180,007	20,135	
Gain (loss) on sale/retirement of capital assets	(75,890)	45,032	(30,858)
Miscellaneous	124,940	1,135,457	1,260,397
Bond issue cost	20,819	(141,463)	(120,644)
Transfer in - in lieu of taxes	1,085,838	(1,085,838)	-
Total general revenues and transfers	8,720,195	216,472	8,936,667
Change in net position	(463,203)	950,813	487,610
Net position - beginning, as originally stated	23,921,226	57,634,917	81,556,143
Prior period adjustment	-	-	-
Inventory adjustment - school food service fund	(1,335)	-	(1,335)
Net position - beginning, as restated	23,919,891	57,634,917	81,554,808
Net position - ending	\$ 23,456,688	\$ 58,585,730	\$ 82,042,418

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	General Purpose School Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,493,931	\$ 1,348,002	\$ 1,798,540	\$ 7,640,473
Taxes receivable	2,309,628	-	-	2,309,628
Accounts receivable	32,408	-	-	32,408
Grant receivable	118,255	-	-	118,255
Other receivables	28,038	-	19,466	47,504
Inventory	-	-	36,901	36,901
Hybrid retirement stabilization funds	-	11,385	-	11,385
Due from other governments	694,101	66,706	309,338	1,070,145
Due from other funds	83,619	-	57,102	140,721
Prepaid expenses	157,238	-	18,543	175,781
TOTAL ASSETS	\$ 7,917,218	\$ 1,426,093	\$ 2,239,890	\$11,583,201
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 323,593	\$ -	\$ 3,244	\$ 326,837
Accrued expenses	167,144	101,250	5,611	274,005
Unearned revenue - other	-	-	9,955	9,955
Advance from other fund	60,424	-	-	60,424
Due to other funds	69,548	-	8,917	78,465
TOTAL LIABILITIES	620,709	101,250	27,727	749,686
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,309,628	-	-	2,309,628
TOTAL DEFERRED INFLOWS OF REVENUES	2,309,628	-	-	2,309,628
FUND BALANCE				
Nonspendable				
Inventory	-	-	36,901	36,901
Prepaid expenses	157,238	-	18,543	175,781
Restricted for:				
Sex offender	3,418	-	-	3,418
State street aid	-	-	173,449	173,449
E-citation	-	-	25,364	25,364
School food authority	-	-	168,887	168,887
Hybrid retirement stabilization funds	-	11,385	-	11,385
Drug fund	-	-	144,604	144,604
Lexington-Henderson Co Alliance	-	-	52,856	52,856
Solid Waste Collection	-	-	102,195	102,195
Committed:				
Rainy Day fund	2,749,485	-	-	2,749,485
Shop with Cops	6,901	-	-	6,901
Assigned				
Special revenue funds	-	-	509,179	509,179
Support services	-	-	-	-
Capital projects	-	-	980,185	980,185
Unassigned				
General fund	2,069,839	-	-	2,069,839
Education	-	(3,543)	-	(3,543)
General purpose school fund	-	1,317,001	-	1,317,001
TOTAL FUND BALANCES	4,986,881	1,324,843	2,212,163	8,523,887
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	\$ 7,917,218	\$ 1,426,093	\$ 2,239,890	\$11,583,201

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET
POSITION
JUNE 30, 2019

Total fund balance - total governmental funds	\$	8,523,887
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		26,122,060
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		72,507
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		353,630
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(2,114,035)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(962,293)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		(150,887)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(23,639)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(8,250,780)</u>
Net position of governmental activities	\$	<u><u>23,570,450</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,209,110	\$ -	\$ -	\$ 2,209,110
Penalty and interest	13,158	-	-	13,158
In lieu of taxes	42,945	-	-	42,945
Sales	1,726,618	-	1,438,848	3,165,466
Beer tax	340,272	-	-	340,272
Business	278,087	-	-	278,087
Liquor tax	-	-	158,341	158,341
Franchise	134,246	-	-	134,246
Hotel/motel tax	38,500	-	-	38,500
Privilege	2,675	-	-	2,675
Intergovernmental revenues	1,725,767	7,156,433	701,072	9,583,272
Licenses and permits	23,096	-	-	23,096
Charges for services	192,019	-	915,188	1,107,207
Fines, forfeits, and penalties	210,511	-	41,539	252,050
Other revenues	235,797	123,794	80,948	440,539
Total revenues	7,172,801	7,280,227	3,335,936	17,788,964
Expenditures				
Current:				
General government	1,328,974	-	-	1,328,974
Public safety	3,234,013	-	84,455	3,318,468
Public works	1,155,374	-	983,393	2,138,767
Health, welfare, and recreation	497,133	8,101,978	647,106	9,246,217
Economic development	65,830	-	465,117	530,947
Capital outlay	971,205	143,489	77,179	1,191,873
Debt service:				
Principal payments	44,122	45,232	811,651	901,005
Interest payments	40,695	8,488	156,964	206,147
Other debt costs	20,957	-	-	20,957
Total expenditures	7,358,303	8,299,187	3,225,865	18,883,355
Excess (deficiency) of revenues over (under) expenditures	(185,502)	(1,018,960)	110,071	(1,094,391)
Other financing sources (uses)				
Transfers in	1,085,838	1,063,000	1,105,615	3,254,453
Transfers out	(719,627)	-	(1,448,989)	(2,168,616)
Premiums on refunding bonds issued	20,819	-	-	20,819
Insurance recoveries	36,518	143,489	-	180,007
Proceeds from sale of general capital assets	4,026	-	95,883	99,909
Total other financing sources (uses)	427,574	1,206,489	(247,491)	1,386,572
Net Change in Fund Balances	242,072	187,529	(137,420)	292,181
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	4,744,809	1,137,314	2,350,918	8,233,041
Inventory adjustment	-	-	(1,335)	(1,335)
FUND BALANCE AT BEGINNING OF YEAR, as restated	4,744,809	1,137,314	2,349,583	8,231,706
FUND BALANCE AT END OF YEAR	\$ 4,986,881	\$ 1,324,843	\$ 2,212,163	\$ 8,523,887

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	292,181
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		1,191,873
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.		
		(1,357,242)
Net effect of asset disposal.		
		(175,799)
Governmental funds do not record net pension or OPEB liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.		
		(1,139,995)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		
		901,005
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		
		(217,328)
Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.		
		42,102
Change in net position of governmental activities	\$	(463,203)

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Property taxes - current	\$ 2,095,000	\$ 2,130,000	\$ 2,134,828	\$ 4,828
Property taxes - delinquent	90,000	75,000	74,282	(718)
Penalties and interest	15,000	13,000	13,158	158
In lieu of taxes:				
Lexington Housing Authority	20,000	42,945	42,945	-
Local sales tax	1,795,200	1,705,000	1,726,618	21,618
Local beer tax	335,000	336,500	340,272	3,772
Business tax	267,000	270,000	278,087	8,087
Franchise tax	140,000	136,000	134,246	(1,754)
Hotel/motel tax	36,500	36,500	38,500	2,000
Privilege tax	2,600	2,675	2,675	-
Total taxes	<u>4,796,300</u>	<u>4,747,620</u>	<u>4,785,611</u>	<u>37,991</u>
Intergovernmental				
TVA payments in lieu of taxes	87,233	90,810	90,814	4
State fire education	7,800	7,800	7,800	-
State law enforcement grant	16,800	15,000	15,000	-
Police safety grant - alcohol saturation	-	485	486	1
Police - COPS	-	206,598	206,598	-
Police - vest grant	-	550	550	-
Police grant - network coordinator 2018	-	5,410	5,410	-
Police grant - network coordinator 2017	-	6,000	13,818	7,818
Police grant - DUI countermeasures	-	3,220	3,222	2
Police grant - DUI traffic 2017	-	10,000	10,281	281
Police grant - OCJPDV investigator	76,795	36,000	37,348	1,348
Police grant - OCDETF Grant	-	-	6,120	6,120
Fire grant	169,524	169,524	169,524	-
Community development grant	-	197,000	192,404	(4,596)
Multimodal grant phase II	755,250	20,000	10,260	(9,740)
1033 grant	-	110,851	99,294	(11,557)
Site development	-	53,858	53,859	1
State of Tennessee				
- Sales tax allocation	668,100	680,000	678,599	(1,401)
- Telecommunication tax	-	-	5,907	5,907
- Telecommunication priviledge tax	-	-	310	310
- Income tax allocation	35,000	39,740	30,527	(9,213)
- Beer tax allocation	3,826	3,540	3,542	2
- Mixed drink tax	10,000	9,400	9,676	276
- Petroleum special	15,687	15,210	15,194	(16)
- Street maintenance	91,710	91,710	72,351	(19,359)
- Excise tax	65,000	28,320	28,321	1
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	-	-	1,211	1,211
Total intergovernmental revenues	<u>2,013,925</u>	<u>1,812,226</u>	<u>1,779,626</u>	<u>(32,600)</u>
Licenses and permits				
Beer licenses	500	750	750	-
Building permits	10,000	21,000	21,496	496
Liquor licenses	-	-	250	250
Other permits	1,000	700	600	(100)
Total licenses and permits	<u>11,500</u>	<u>22,450</u>	<u>23,096</u>	<u>646</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	33,500	37,500	36,766	(734)
Accident report filing fees	3,000	2,500	2,590	90
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	900	1,000	900	(100)
Community policing	-	2,400	2,679	279
Mowing and lot cleanup	1,000	1,000	695	(305)
Street repair charges	5,000	60,000	52,924	(7,076)
Parks and recreation charges	11,500	13,000	10,465	(2,535)
Total charges for services	139,900	202,400	192,019	(10,381)
City court fines and costs	199,100	204,165	210,511	6,346
Other revenues				
Interest income	27,000	54,000	55,821	1,821
Donations	-	980	980	-
Contributions - homeowners	-	2,000	2,000	-
Shop with a cop donations	-	11,750	12,355	605
Community center revenue	8,760	8,570	8,735	165
Rent income	74,400	74,400	73,200	(1,200)
Sales of cemetery lots	12,000	18,000	20,400	2,400
Sales of other materials	22,350	5,390	6,259	869
Miscellaneous income	2,000	1,885	2,188	303
Total other revenue	146,510	176,975	181,938	4,963
Total revenues	7,307,235	7,165,836	7,172,801	6,965
Expenditures				
General government				
General				
Salaries	81,978	83,814	83,349	465
Employee benefits	219,876	287,500	285,054	2,446
Memberships	2,500	2,500	2,164	336
Election payroll	1,000	1,000	-	1,000
Legal services	2,000	2,000	-	2,000
Operating expenses	23,500	23,500	21,665	1,835
Other operating expenses	16,050	19,550	16,461	3,089
Insurance	150,000	150,100	145,543	4,557
Home grant - repairs	-	185,500	177,904	7,596
Home grant - consultant services	-	13,500	16,000	(2,500)
Home grant - public notices	-	200	94	106
Capital outlay	20,000	13,500	13,490	10
Total general	516,904	782,664	761,724	20,940
Judicial				
Salaries	12,000	12,000	12,000	-
Total judicial	12,000	12,000	12,000	-

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	234,307	273,379	272,414	965
Employee benefits	36,500	36,900	36,369	531
Insurance	216	140	140	-
Office expense	18,500	22,900	21,465	1,435
Professional fees	69,100	61,100	56,345	4,755
Membership and dues	450	450	414	36
Repair and maintenance	4,850	26,850	19,830	7,020
Other operating expenses	145,745	144,600	133,225	11,375
ADA project	-	15,000	14,466	534
Total city recorder	509,668	581,319	554,668	26,651
City Hall				
Utilities	14,523	14,480	14,072	408
Total general government	1,053,095	1,390,463	1,342,464	47,999
Public safety				
Police department				
Salary	1,598,627	1,515,189	1,514,623	566
Employee benefits	315,000	273,000	268,674	4,326
Utilities	34,288	36,500	36,141	359
Repair and maintenance	29,000	42,000	37,268	4,732
Memberships and dues	2,800	2,800	1,780	1,020
Supplies	27,696	33,400	62,326	(28,926)
Travel	5,000	7,200	6,683	517
Uniforms and clothing	11,900	9,900	8,419	1,481
Gas, oil, and diesel	61,085	62,500	61,195	1,305
Insurance	1,836	5,500	5,232	268
Equipment rental	6,518	5,940	5,900	40
Office expense	65,000	70,000	66,217	3,783
Community - shop with a cop	-	10,000	8,500	1,500
STOP	-	44,290	41,439	2,851
Capital outlay - security grant	6,500	294,792	275,742	19,050
Capital outlay - 1033 equipment	-	103,100	103,044	56
Capital outlay	225,000	212,123	196,786	15,337
Total police department	2,390,250	2,728,234	2,699,969	28,265
Fire department				
Salaries	741,754	755,256	748,302	6,954
Employee benefits	121,000	110,800	110,136	664
Volunteer firemen benefits	10,000	6,000	4,818	1,182
Utilities	47,637	44,200	44,106	94
Memberships	365	400	260	140
Public relations	750	750	743	7
Data processing	2,000	1,800	1,764	36
Repair and maintenance	28,500	36,000	33,044	2,956
Supplies	13,500	16,240	27,504	(11,264)
Clothing and uniforms	6,000	6,000	5,542	458
Gas, oil, diesel	11,120	14,500	14,034	466
Insurance	810	460	456	4
Travel	4,000	5,000	2,377	2,623
Small equipment	35,950	50,000	36,477	13,523
Equipment rent	3,360	2,880	2,878	2
Capital outlay	231,821	220,784	207,024	13,760
Total fire department	1,258,567	1,271,070	1,239,465	31,605
Building inspector				
Salaries	62,766	62,945	62,866	79
Employee benefits	11,000	8,580	8,414	166
Insurance	54	28	28	-
Other operating expenses	14,995	8,050	5,867	2,183
Capital outlay	15,000	18,220	18,220	-
Total building inspector	103,815	97,823	95,395	2,428
Total public safety	3,752,632	4,097,127	4,034,829	62,298

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	438,213	413,792	413,573	219
Employee benefits	100,250	85,450	84,572	878
Utilities	16,884	12,200	12,124	76
Street lighting	38,110	36,500	35,480	1,020
Repair and maintenance	344,163	360,800	341,505	19,295
Repair and maintenance - equipment	12,000	10,000	9,055	945
Clothing and uniforms	4,150	4,150	3,878	272
Gas, oil, diesel	28,500	43,500	43,210	290
Small equipment	1,000	1,000	539	461
Operating supplies	11,400	13,400	8,977	4,423
Insurance	756	450	440	10
Capital outlay	53,000	49,000	48,941	59
Total highways and streets	1,048,426	1,030,242	1,002,294	27,948
Garage				
Salaries	139,696	105,365	103,558	1,807
Employee benefits	42,169	41,512	39,923	1,589
Repair and maintenance	4,400	2,900	1,341	1,559
Supplies	16,100	16,400	11,969	4,431
Utilities	4,661	4,600	4,489	111
Fuel purchases	19,800	-	-	-
Capital outlay	4,000	3,000	3,000	-
Total garage	230,826	173,777	164,280	9,497
Animal control				
Contract labor	36,000	36,000	36,000	-
Total animal control	36,000	36,000	36,000	-
Sanitation				
Landfill closure	5,000	5,500	4,741	759
Total public works	1,320,252	1,245,519	1,207,315	38,204
Health, welfare, and recreation				
Appropriations				
Library	31,900	31,900	31,900	-
Library utilities	5,665	5,400	5,382	18
Senior Citizens	12,000	12,000	12,000	-
Rescue Squad	2,500	2,500	2,500	-
Easter	1,500	1,500	1,500	-
Christmas parade	500	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
Hope utilities	7,622	7,000	6,590	410
Project graduation	1,200	1,200	1,200	-
Shiloh District Center	5,000	5,000	5,000	-
Animal Shelter	5,000	5,000	5,000	-
BRWDA	10,000	10,000	10,000	-
Airport	42,862	51,645	51,645	-
JACO A	2,000	-	-	-
Other appropriations	3,500	3,500	200	3,300
Total appropriations	133,474	139,370	135,642	3,728

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	18,850	18,900	18,650	250
Employee benefits	1,442	1,446	1,427	19
Unemployment insurance	54	28	28	-
Public relations	1,000	1,000	309	691
Utilities	6,283	5,500	4,972	528
Repair and maintenance	6,000	2,000	637	1,363
Telephone	1,391	1,330	1,329	1
Security system	669	660	659	1
Operating costs	500	250	187	63
Janitorial costs	250	175	124	51
Total museum	36,439	31,289	28,322	2,967
Civic center				
Utilities	22,660	24,500	23,775	725
Repair and maintenance	35,500	8,500	5,472	3,028
Operating costs	500	600	571	29
Janitorial costs	2,000	1,650	1,427	223
Total civic center	60,660	35,250	31,245	4,005
Parks				
Salaries	189,024	176,960	172,151	4,809
Employee benefits	36,000	30,320	28,947	1,373
Repair and maintenance	48,200	41,200	35,225	5,975
Utilities	50,604	47,725	46,850	875
Insurance	216	225	221	4
Other operating expenses	21,700	19,600	18,530	1,070
Capital outlay	27,600	22,000	18,815	3,185
Total parks	373,344	338,030	320,739	17,291
Total health, welfare, and recreation	603,917	543,939	515,948	27,991
Economic development				
State plan service	15,000	14,110	14,107	3
Professional fees	77,000	10,000	5,470	4,530
Architectural engineering and land	9,000	1,500	950	550
Legal	6,500	5,000	-	5,000
WTRBA Membership	2,000	2,000	2,000	-
Tourism advertising	1,000	750	711	39
Travel	2,000	3,000	1,692	1,308
Industrial development	21,500	24,000	3,603	20,397
Meals & entertainment	1,000	500	246	254
Miscellaneous	30,000	30,000	27,495	2,505
Small assets	-	-	9,566	(9,566)
Capital outlay - downtown sidewalks	-	10,000	7,924	2,076
Capital outlay	862,590	85,500	78,219	7,281
Total economic development	1,027,590	186,360	151,973	34,387
Debt service				
Principal payments	108,827	103,826	44,122	59,704
Interest payments	40,695	40,695	40,695	-
Paying agent fees	-	21,000	20,957	43
Total debt service	149,522	165,521	105,774	59,747
Total expenditures	7,907,008	7,628,929	7,358,303	270,092

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	(599,773)	(463,093)	(185,502)	277,591
Other financing sources (uses)				
Transfers in	1,072,000	1,071,841	1,085,838	13,997
Transfers out	(835,000)	(942,467)	(719,627)	222,840
Premium on refunding bonds issued	-	20,816	20,819	3
Insurance recoveries	10,000	36,500	36,518	18
Sale of general fixed assets	50,000	3,200	4,026	826
Total other financing sources (uses)	297,000	189,890	427,574	237,684
Net change in fund balance	(302,773)	(273,203)	242,072	515,275
Fund Balance at Beginning of Year	4,744,809	4,744,809	4,744,809	-
Fund Balance at End of Year	<u>\$ 4,442,036</u>	<u>\$ 4,471,606</u>	<u>\$ 4,986,881</u>	<u>\$ 515,275</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 400,000	\$ 400,000	\$ 446,463	\$ -	\$ -	\$ 446,463	\$ 46,463
Prior year tax receipts	17,500	17,500	15,271	-	-	15,271	(2,229)
Mixed drink tax	600	600	43	-	-	43	(557)
Local sales tax	675,000	675,000	711,054	-	-	711,054	36,054
Bank excise tax	7,000	7,000	2,507	-	-	2,507	(4,493)
Marriage licenses	300	300	310	-	-	310	10
Interstate telecommunication taxes	350	350	-	-	-	-	(350)
Other	7,800	7,800	7,158	-	-	7,158	(642)
State funds							
Basic education program	4,872,000	4,872,000	4,875,000	-	-	4,875,000	3,000
Basic education program salary equity	76,985	76,985	76,983	-	-	76,983	(2)
Early childhood education	202,114	210,037	213,887	-	-	213,887	3,850
Portfolio	-	-	1,181	-	-	1,181	1,181
Safe schools	-	34,480	34,480	-	-	34,480	-
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Career ladder	26,000	26,000	25,079	-	-	25,079	(921)
Read to be ready	-	10,000	10,000	-	-	10,000	-
Internet connectivity	2,600	2,600	-	-	-	-	(2,600)
Federal funds							
Title I grants	275,008	285,046	255,840	-	-	255,840	(29,206)
Title IIA grants	30,905	33,923	29,649	-	-	29,649	(4,274)
Title 4A grants	-	25,632	28,479	-	-	28,479	2,847
Title VI grants	13,547	15,323	13,868	-	-	13,868	(1,455)
Title 4A C Emergency grant	-	8,500	8,500	-	-	8,500	-
IDEA basic grant	187,276	266,718	258,570	-	-	258,570	(8,148)
IDEA preschool	3,918	3,943	18,601	-	-	18,601	14,658
English language acquisition grant	351	511	512	-	-	512	1
Participation in Mentors	-	-	1,059	-	-	1,059	1,059
Read to be ready	-	30,000	29,939	-	-	29,939	(61)
Total Intergovernmental revenues	6,891,254	7,102,248	7,156,433	-	-	7,156,433	54,185
Other revenues							
Interest income	4,400	4,400	6,222	-	-	6,222	1,822
Receipts from individual schools	1,000	71,938	71,676	-	-	71,676	(262)
On-behalf payments	-	50,000	41,262	-	-	41,262	(8,738)
Miscellaneous revenues	2,500	2,500	4,634	-	-	4,634	2,134
Total other revenues	7,900	128,838	123,794	-	-	123,794	(5,044)
Total Revenues	6,899,154	7,231,086	7,280,227	-	-	7,280,227	49,141

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures							
Instruction							
Regular instruction program							
Teachers	2,210,948	2,251,686	2,207,442	-	-	2,207,442	44,244
Career ladder program	11,000	11,000	11,000	-	-	11,000	-
Homebound teachers	-	-	928	-	-	928	(928)
Educational assistants	149,289	158,965	159,995	-	-	159,995	(1,030)
Bonus payments	72,000	72,000	88,558	-	-	88,558	(16,558)
Certified substitute teachers	24,000	24,000	17,490	-	-	17,490	6,510
Non-certified substitute teachers	25,500	25,500	31,474	-	-	31,474	(5,974)
Social security	153,270	145,994	141,388	-	-	141,388	4,606
Administrative costs	2,750	2,750	-	-	-	-	2,750
State retirement	237,646	238,881	222,313	-	-	222,313	16,568
Life insurance	6,120	6,120	4,463	-	-	4,463	1,657
Medical insurance	400,515	402,549	395,348	-	-	395,348	7,201
Dental insurance	6,624	6,680	6,223	-	-	6,223	457
Unemployment compensation	4,150	4,170	1,663	-	-	1,663	2,507
Local retirement	8,757	9,071	7,529	-	-	7,529	1,542
Employer medicare	35,825	36,141	33,233	-	-	33,233	2,908
Maintenance and repair services - equipmer	1,000	1,000	-	-	-	-	1,000
On-behalf payments	-	50,000	41,262	-	-	41,262	8,738
Other contracted services	79,750	79,750	70,050	-	-	70,050	9,700
Instructional supplies	35,700	59,938	56,451	-	-	56,451	3,487
Textbooks	29,800	29,800	76,518	-	-	76,518	(46,718)
Other supplies and materials	12,000	12,000	6,725	-	-	6,725	5,275
Other charges	-	295	506	-	-	506	(211)
Regular instruction equipment	139,052	139,052	128,672	-	-	128,672	10,380
Indirect cost	-	4,317	4,217	-	-	4,217	100
Total regular instruction program	<u>3,645,696</u>	<u>3,771,659</u>	<u>3,713,448</u>	<u>-</u>	<u>-</u>	<u>3,713,448</u>	<u>58,211</u>
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Special education							
Teachers	326,929	326,929	321,896	-	-	321,896	5,033
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Educational assistants	90,905	133,734	136,802	-	-	136,802	(3,068)
Speech pathology	48,500	48,500	48,500	-	-	48,500	-
Certified substitute teachers	2,000	2,000	90	-	-	90	1,910
Non-certified substitute teachers	4,500	4,500	7,740	-	-	7,740	(3,240)
Social security	28,909	31,922	28,554	-	-	28,554	3,368
State retirement	39,269	39,269	37,281	-	-	37,281	1,988
Medical insurance	76,234	89,494	89,060	-	-	89,060	434
Dental insurance	1,311	1,587	1,478	-	-	1,478	109
Unemployment compensation	745	895	781	-	-	781	114
Local retirement	4,351	6,155	5,988	-	-	5,988	167
Employer medicare	6,694	7,399	6,679	-	-	6,679	720
Other contracted services	8,000	-	-	-	-	-	-
Food supplies	-	-	300	-	-	300	(300)
Instructional supplies	2,300	3,371	2,808	-	-	2,808	563
Other supplies and materials	750	750	1,161	-	-	1,161	(411)
Total special education	<u>642,397</u>	<u>697,505</u>	<u>690,118</u>	<u>-</u>	<u>-</u>	<u>690,118</u>	<u>7,387</u>
Student body education							
Other salaries and wages	79,600	80,700	83,150	-	-	83,150	(2,450)
Social security	4,935	4,935	4,611	-	-	4,611	324
State retirement	8,326	8,326	7,201	-	-	7,201	1,125
Medical insurance	17,589	17,589	17,252	-	-	17,252	337
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	84	-	-	84	16
Employer medicare	1,154	1,154	1,078	-	-	1,078	76
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	12,000	-	-	12,000	-
Other charges	6,000	6,000	5,000	-	-	5,000	1,000
Total student body education	<u>130,480</u>	<u>131,580</u>	<u>130,652</u>	<u>-</u>	<u>-</u>	<u>130,652</u>	<u>928</u>
Total instruction	<u>4,444,573</u>	<u>4,626,744</u>	<u>4,560,218</u>	<u>-</u>	<u>-</u>	<u>4,560,218</u>	<u>66,526</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services							
Attendance							
Postal charges	300	300	300	-	-	300	-
Other contracted services	3,500	3,500	3,699	-	-	3,699	(199)
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	2,000	2,000	2,461	-	-	2,461	(461)
Other charges	500	500	-	-	-	-	500
Total attendance	6,800	6,800	6,460	-	-	6,460	340
Health instruction program							
Supervisor/directors	59,354	59,354	59,795	-	-	59,795	(441)
Medical personnel	67,870	67,870	67,613	-	-	67,613	257
Other salaries	8,593	8,593	8,026	-	-	8,026	567
Social security	8,419	8,419	7,244	-	-	7,244	1,175
State retirement	6,144	6,144	6,255	-	-	6,255	(111)
Health insurance	26,678	26,678	26,189	-	-	26,189	489
Dental insurance	276	276	276	-	-	276	-
Unemployment insurance	200	200	217	-	-	217	(17)
Local retirement	1,717	1,717	1,659	-	-	1,659	58
Employer medicare	1,961	1,961	1,694	-	-	1,694	267
Postal charges	100	100	100	-	-	100	-
Other supplies and materials	1,834	1,834	2,604	-	-	2,604	(770)
Inservice/staff development	823	823	1,681	-	-	1,681	(858)
Total health instruction program	183,969	183,969	183,353	-	-	183,353	616
Other student support							
Career ladder program	3,000	3,000	-	-	-	-	3,000
Guidance personnel	74,129	74,129	72,079	-	-	72,079	2,050
Assessment personnel	46,354	46,354	46,355	-	-	46,355	(1)
Social security	4,730	4,730	4,185	-	-	4,185	545
State retirement	8,067	8,067	6,725	-	-	6,725	1,342
Medical insurance	8,252	11,952	11,244	-	-	11,244	708
Dental insurance	138	138	69	-	-	69	69
Unemployment compensation	200	200	105	-	-	105	95
Employer medicare	1,790	1,790	1,651	-	-	1,651	139
Contracts with government agencies	-	-	914	-	-	914	(914)
Evaluation and testing	2,000	2,000	-	-	-	-	2,000
Other contracted services	-	-	9,500	-	-	9,500	(9,500)
Other supplies and materials	-	738	737	-	-	737	1
Other equipment	1,000	1,000	-	-	-	-	1,000
Total other student support	149,660	154,098	153,564	-	-	153,564	534
Regular instruction program							
Supervisor/Director	76,761	79,785	79,785	-	-	79,785	-
Career ladder program	4,000	4,000	3,000	-	-	3,000	1,000
Libraries	98,264	98,264	99,284	-	-	99,284	(1,020)
Other salaries	210,353	224,892	196,791	-	-	196,791	28,101
Social security	24,140	24,534	21,139	-	-	21,139	3,395
State retirement	40,729	41,375	38,624	-	-	38,624	2,751
Medical insurance	45,771	46,147	41,774	-	-	41,774	4,373
Dental insurance	552	552	574	-	-	574	(22)
Unemployment compensation	301	303	272	-	-	272	31
Employer medicare	5,645	5,708	5,082	-	-	5,082	626
Consultants	3,000	3,000	-	-	-	-	3,000
Dues and memberships	1,000	1,000	239	-	-	239	761
Travel	500	500	62	-	-	62	438
Postal charges	-	1	-	-	-	-	1
Other contracted services	29,000	29,000	37,171	-	-	37,171	(8,171)
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	11,000	9,378	-	-	9,378	1,622
Inservice/staff development	16,828	31,410	25,707	-	-	25,707	5,703
Other charges	600	1,200	963	-	-	963	237
Other equipment	-	-	1,900	-	-	1,900	(1,900)
Total regular instruction program	577,444	611,671	570,745	-	-	570,745	40,926

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Less:</u> <u>Encumbrances</u> <u>7/1/2018</u>	<u>Add:</u> <u>Encumbrances</u> <u>6/30/2019</u>	<u>Actual</u> <u>Revenues/</u> <u>Expenditures</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>					
Expenditures(continued)							
Support services(continued)							
Special Education							
Supervisor/directors	27,901	27,901	27,205	-	-	27,205	696
Social security	25,000	25,000	22,950	-	-	22,950	2,050
State retirement	1,729	1,729	3,075	-	-	3,075	(1,346)
Medical insurance	2,918	2,918	4,431	-	-	4,431	(1,513)
Unemployment compensation	-	-	3,139	-	-	3,139	(3,139)
Employer medicare	138	138	69	-	-	69	69
Other contracted services	50	50	42	-	-	42	8
Other supplies and materials	767	767	719	-	-	719	48
Inservice/staff development	5,000	26,066	22,803	-	-	22,803	3,263
	<u>3,000</u>	<u>4,000</u>	<u>3,374</u>			<u>3,374</u>	<u>626</u>
Total special education	<u>66,503</u>	<u>88,569</u>	<u>87,807</u>	<u>-</u>	<u>-</u>	<u>87,807</u>	<u>762</u>
Technology							
Supervisor/directors	52,000	52,000	52,000	-	-	52,000	-
Data processing personnel	30,000	30,000	33,040	-	-	33,040	(3,040)
Social security	5,084	5,084	4,625	-	-	4,625	459
Medical insurance	15,462	15,462	15,163	-	-	15,163	299
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	89	-	-	89	11
Local retirement	4,920	4,920	4,920	-	-	4,920	-
Employer medicare	1,189	1,189	1,082	-	-	1,082	107
Dues and memberships	200	200	60	-	-	60	140
Repair and maintenance - equipment	7,000	7,000	1,200	-	-	1,200	5,800
Internet connectivity	-	-	27,288	-	-	27,288	(27,288)
Travel	1,000	1,000	579	-	-	579	421
Other contracted services	80,000	92,296	71,016	-	-	71,016	21,280
Other supplies and materials	17,000	17,000	12,904	-	-	12,904	4,096
Inservice/staff development	3,000	3,000	1,294	-	-	1,294	1,706
Other charges	1,000	1,000	3,333	-	-	3,333	(2,333)
Other equipment	8,000	8,000	8,681	-	-	8,681	(681)
Total technology	<u>226,231</u>	<u>238,527</u>	<u>237,550</u>	<u>-</u>	<u>-</u>	<u>237,550</u>	<u>977</u>
Total support services	<u>1,210,607</u>	<u>1,283,634</u>	<u>1,239,479</u>	<u>-</u>	<u>-</u>	<u>1,239,479</u>	<u>44,155</u>
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,749	-	-	1,749	74
Medical insurance	37,897	37,897	37,041	-	-	37,041	856
Dental insurance	-	-	414	-	-	414	(414)
Unemployment compensation	-	-	176	-	-	176	(176)
Employer medicare	426	426	408	-	-	408	18
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,345	9,345	7,266	-	-	7,266	2,079
Legal services	6,000	6,000	4,200	-	-	4,200	1,800
Printing, stationery, etc...	100	100	1,540	-	-	1,540	(1,440)
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	5,000	9,500	9,886	-	-	9,886	(386)
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	13,100	13,100	12,036	-	-	12,036	1,064
Surety bonds	650	650	507	-	-	507	143
Trustee's commission	16,000	16,000	16,524	-	-	16,524	(524)
Workmans compensation	18,532	18,532	16,345	-	-	16,345	2,187
Inservice/staff development	3,000	3,000	911	-	-	911	2,089
Refunds to applicants	500	500	133	-	-	133	367
Other charges	8,000	8,000	13,510	-	-	13,510	(5,510)
Total board of education	<u>175,873</u>	<u>180,373</u>	<u>177,046</u>	<u>-</u>	<u>-</u>	<u>177,046</u>	<u>3,327</u>
Office of education							
County officials	95,000	95,000	94,644	-	-	94,644	356
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	5,890	5,890	5,937	-	-	5,937	(47)
State retirement	9,937	9,937	10,042	-	-	10,042	(105)
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,377	1,377	1,389	-	-	1,389	(12)
Communication	12,000	12,000	16,117	-	-	16,117	(4,117)
Dues and memberships	1,750	1,750	-	-	-	-	1,750
Postage	1,500	1,500	1,365	-	-	1,365	135
Travel	2,000	2,000	196	-	-	196	1,804
Other contracted services	1,000	1,000	-	-	-	-	1,000
Office supplies	3,000	3,000	709	-	-	709	2,291
Inservice/staff development	2,000	2,000	2,860	-	-	2,860	(860)
Other charges	2,500	2,500	4,079	-	-	4,079	(1,579)
Administrative equipment	1,000	1,000	178	-	-	178	822
Total office of education	<u>140,014</u>	<u>140,014</u>	<u>138,558</u>	<u>-</u>	<u>-</u>	<u>138,558</u>	<u>1,456</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
General administration(continued)							
Office of principal							
Principals	141,086	141,086	140,811	-	-	140,811	275
Career ladder program	3,000	3,000	2,000	-	-	2,000	1,000
Accountants and bookkeepers	45,655	41,655	40,759	-	-	40,759	896
Assistant principal	117,795	117,795	116,786	-	-	116,786	1,009
Clerical personnel	44,550	44,550	45,911	-	-	45,911	(1,361)
Social security	21,829	21,829	20,693	-	-	20,693	1,136
State retirement	27,079	27,079	27,154	-	-	27,154	(75)
Medical insurance	27,368	27,368	28,395	-	-	28,395	(1,027)
Dental insurance	552	552	493	-	-	493	59
Unemployment compensation	500	500	335	-	-	335	165
Local retirement	5,412	5,412	5,138	-	-	5,138	274
Employer medicare	5,105	5,105	4,839	-	-	4,839	266
Dues and memberships	2,000	2,000	1,535	-	-	1,535	465
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	-	-	-	-	500
Other contracted services	1,200	1,200	3,793	-	-	3,793	(2,593)
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	1,500	771	-	-	771	729
Other charges	1,325	1,325	1,238	-	-	1,238	87
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of principal	450,456	446,456	443,651	-	-	443,651	2,805
Fiscal services							
Accountants and bookkeepers	96,636	96,636	95,178	-	-	95,178	1,458
Purchasing personnel	47,825	47,825	47,825	-	-	47,825	-
Clerical personnel	25,279	25,279	25,279	-	-	25,279	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	10,578	10,578	9,352	-	-	9,352	1,226
Medical insurance	30,922	30,922	30,312	-	-	30,312	610
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	300	300	169	-	-	169	131
Local retirement	6,783	6,783	6,791	-	-	6,791	(8)
Employer medicare	2,474	2,474	2,187	-	-	2,187	287
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	10,425	10,425	16,796	-	-	16,796	(6,371)
Data processing supplies	1,000	1,000	646	-	-	646	354
Office supplies	2,300	2,300	1,938	-	-	1,938	362
Inservice/staff development	3,000	3,000	2,386	-	-	2,386	614
Administration equipment	-	5,000	3,800	-	-	3,800	1,200
Total fiscal services	239,236	244,236	243,073	-	-	243,073	1,163
Plant operations							
Janitorial services	318,500	318,500	312,890	-	-	312,890	5,610
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Permits	500	500	515	-	-	515	(15)
Other contracted services	25,000	25,000	21,321	-	-	21,321	3,679
Electricity	350,000	361,500	366,429	-	-	366,429	(4,929)
Natural gas	33,000	33,000	34,374	-	-	34,374	(1,374)
Water	30,000	30,000	26,341	-	-	26,341	3,659
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,456	1,456	1,279	-	-	1,279	177
Building and contents insurance	22,067	22,067	28,463	-	-	28,463	(6,396)
Vehicle and equipment	9,387	9,387	8,386	-	-	8,386	1,001
Total plant operations	794,010	805,510	803,202	-	-	803,202	2,308

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Part time personnel	6,000	6,000	1,480	-	-	1,480	4,520
Social security	434	434	92	-	-	92	342
Unemployment compensation	25	25	3	-	-	3	22
Employer medicare	102	102	21	-	-	21	81
Contracts with government agencies	110,000	98,500	84,463	-	-	84,463	14,037
Maintenance and repair - buildings	22,000	22,000	27,024	-	2,000	29,024	(7,024)
Maintenance and repair - equipment	5,000	5,000	600	-	-	600	4,400
Maintenance and repair - vehicle	500	500	-	-	-	-	500
Other contracted services	77,000	101,155	74,254	-	-	74,254	26,901
Gasoline	3,000	3,000	2,023	-	-	2,023	977
Vehicle parts	1,000	1,000	151	-	-	151	849
Other supplies and materials	30,000	30,000	40,652	-	-	40,652	(10,652)
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	41,106	41,106	-	-	41,106	-
Contracts with vehicle owners	-	470	-	-	-	-	470
Other contracted services	-	-	10,993	-	-	10,993	(10,993)
Total plant maintenance	256,361	310,592	282,862	-	2,000	284,862	25,730
Total general administration	2,055,950	2,127,181	2,088,392	-	2,000	2,090,392	36,789
Early childhood education							
Teachers	98,456	98,456	98,070	-	-	98,070	386
Educational assistants	50,605	50,605	51,527	-	-	51,527	(922)
Certified substitute teachers	2,200	2,200	1,290	-	-	1,290	910
Non-certified substitute teachers	1,200	1,200	1,565	-	-	1,565	(365)
Social security	9,452	9,452	8,901	-	-	8,901	551
State retirement	10,298	10,298	10,258	-	-	10,258	40
Medical insurance	14,624	14,624	21,228	-	-	21,228	(6,604)
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	300	300	224	-	-	224	76
Local retirement	3,036	3,036	3,092	-	-	3,092	(56)
Employer medicare	2,210	2,210	2,083	-	-	2,083	127
Travel	100	100	-	-	-	-	100
Instructional supplies	1,500	1,500	13,876	-	-	13,876	(12,376)
Other supplies and materials	500	500	498	-	-	498	2
Indirect costs	5,757	5,757	-	-	-	-	5,757
Inservice/staff development	1,100	9,023	503	-	-	503	8,520
Other charges	500	500	498	-	-	498	2
Total early childhood education	202,114	210,037	213,889	-	-	213,889	(3,852)

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2018	Encumbrances 6/30/2019		
Expenditures(continued)							
Debt service							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	9,435	9,435	8,488	-	-	8,488	947
Total debt service	54,667	54,667	53,720	-	-	53,720	947
Capital outlay							
Building improvements	-	147,989	143,489	-	4,500	147,989	-
Total capital outlay	-	147,989	143,489	-	4,500	147,989	-
Total Expenditures	7,967,911	8,450,252	8,299,187	-	6,500	8,305,687	144,565
Excess (deficiency) of revenues over (under) expenditures	(1,068,757)	(1,219,166)	(1,018,960)	-	(6,500)	(1,025,460)	193,706
Other financing sources and (uses)							
Transfers in	1,068,757	1,068,757	1,063,000	-	-	1,063,000	(5,757)
Insurance recovery	-	143,489	143,489	-	-	143,489	-
Total other financing sources and (uses)	1,068,757	1,212,246	1,206,489	-	-	1,063,000	(5,757)
Net change in fund balance	-	(6,920)	187,529	-	(6,500)	181,029	187,949
Fund balance - beginning of year	1,137,314	1,137,314	1,137,314	-	-	1,137,314	-
Fund balance - end of year	\$ 1,137,314	\$ 1,130,394	\$ 1,324,843	\$ -	\$ (6,500)	\$ 1,318,343	\$ 187,949

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,056,005	\$ 2,621,840	\$ 9,983,828	\$ 17,661,673
Cash and cash equivalents - restricted	-	-	4,398,171	4,398,171
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	773,788	-	2,740,397	3,514,185
Current portion of advance to other funds	60,424	-	-	60,424
Grant receivables	535	36,787	-	37,322
Other receivables	121	10,312	185,063	195,496
Due from other funds	48,465	597,984	-	646,449
Inventory	247,144	205,692	295,775	748,611
Natural gas storage	461,370	-	-	461,370
Prepaid expenses	34,034	77,080	414,393	525,507
TOTAL CURRENT ASSETS	6,681,886	3,549,695	18,117,627	28,349,208
PROPERTY, PLANT AND EQUIPMENT				
Land	497,385	76,153	-	573,538
Buildings	3,906,311	533,333	-	4,439,644
Equipment	2,256,012	2,138,643	-	4,394,655
General plant	-	-	6,933,674	6,933,674
Distribution plant	14,737,181	41,494,023	64,658,298	120,889,502
Construction in progress	76,025	1,454,862	491,862	2,022,749
TOTAL PROPERTY, PLANT AND EQUIPMENT	21,472,914	45,697,014	72,083,834	139,253,762
Less accumulated depreciation	(10,856,694)	(21,908,239)	(29,152,099)	(61,917,032)
NET PROPERTY, PLANT AND EQUIPMENT	10,616,220	23,788,775	42,931,735	77,336,730
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	508,200	508,200
Deposits	-	65	-	65
Other deferred costs	-	-	477,202	477,202
Bond issue costs, net of accumulated amortization	-	-	210,948	210,948
TOTAL OTHER ASSETS	-	65	1,196,350	1,196,415
TOTAL ASSETS	17,298,106	27,338,535	62,245,712	106,882,353
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	-	38,077	38,077
Deferred outflows related to pensions	79,393	117,031	-	196,424
Deferred outflows related to OPEB	4,273	7,760	652,452	664,485
TOTAL DEFERRED OUTFLOWS OF RESOURCES	83,666	124,791	690,529	898,986
CURRENT LIABILITIES				
Accounts payable	170,001	403,980	3,506,219	4,080,200
Accrued expenses	56,108	114,940	92,264	263,312
Accrued interest	39,011	82,222	129,168	250,401
Compensated absences	-	-	283,780	283,780
Customer deposits	420,989	146,994	586,240	1,154,223
Due to other funds	661,605	47,100	-	708,705
Current portion of long-term debt	76,436	789,620	775,000	1,641,056
TOTAL CURRENT LIABILITIES	1,424,150	1,584,856	5,372,671	8,381,677
LONG-TERM LIABILITIES				
Compensated absences	354,176	368,953	1,477,871	2,201,000
Bonds and notes payable (net of unamortized bond premiums)	3,568,950	10,344,124	14,733,654	28,646,728
Net pension liability	667,590	927,209	2,738,078	4,332,877
Net OPEB Liability	93,987	147,655	3,493,943	3,735,585
Advances from Home Installation Program	-	-	508,200	508,200
TOTAL LONG-TERM LIABILITIES	4,684,703	11,787,941	22,951,746	39,424,390
TOTAL LIABILITIES	6,108,853	13,372,797	28,324,417	47,806,067
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	150,098	208,470	1,024,637	1,383,205
Deferred inflows - OPEB	2,496	3,841	-	6,337
TOTAL DEFERRED OUTFLOWS OF RESOURCES	152,594	212,311	1,024,637	1,389,542
NET POSITION				
Net investment in capital assets	6,970,834	12,655,031	27,536,735	47,162,600
Restricted for capital projects	-	-	2,748,870	2,748,870
Restricted for debt service	-	-	1,620,133	1,620,133
Unrestricted net position	4,149,491	1,223,187	1,681,449	7,054,127
TOTAL NET POSITION	\$ 11,120,325	\$ 13,878,218	\$ 33,587,187	\$ 58,585,730

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 6,842,185	\$ 6,274,344	\$ 47,480,658	\$ 60,597,187
Miscellaneous	3,192	11,032	950,900	965,124
TOTAL OPERATING REVENUES	<u>6,845,377</u>	<u>6,285,376</u>	<u>48,431,558</u>	<u>61,562,311</u>
OPERATING EXPENSES				
Natural gas purchases	3,453,547	-	-	3,453,547
Water purchases	-	112,286	-	112,286
Purchased for resale	-	-	36,232,964	36,232,964
Personnel expenses	1,780,145	2,712,729	-	4,492,874
Supplies	-	475,348	-	475,348
Utilities	40,356	427,205	-	467,561
Repairs and maintenance	280,606	830,255	1,568,753	2,679,614
Professional fees	25,001	43,366	-	68,367
Operating expenses	81,596	44,681	5,964,603	6,090,880
Rent	39,400	79,125	-	118,525
Office expense	197,837	112,480	-	310,317
Transportation expense	37,999	77,476	-	115,475
Insurance	22,087	108,667	-	130,754
Taxes and tax equivalents	-	-	273,701	273,701
Memberships and subscriptions	-	13,011	-	13,011
Miscellaneous	-	2,663	-	2,663
Depreciation and amortization	461,306	1,124,519	2,307,349	3,893,174
TOTAL OPERATING EXPENSES	<u>6,419,880</u>	<u>6,163,811</u>	<u>46,347,370</u>	<u>58,931,061</u>
OPERATING INCOME (LOSS)	<u>425,497</u>	<u>121,565</u>	<u>2,084,188</u>	<u>2,631,250</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	91,113	31,720	120,316	243,149
Sale of materials	-	6,830	-	6,830
Rent revenue	42,525	-	-	42,525
Amortization of debt expense	-	-	(10,798)	(10,798)
Accretion of debt premiums	4,039	14,771	-	18,810
Miscellaneous expense	-	-	(35,546)	(35,546)
TEAC settlement	102,168	-	-	102,168
Insurance recoveries	7,518	12,617	-	20,135
Gain (loss) on sale of asset	10,488	34,544	-	45,032
Bond issue cost	(30,193)	(111,270)	-	(141,463)
Interest expense	(115,784)	(361,471)	(472,456)	(949,711)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>111,874</u>	<u>(372,259)</u>	<u>(398,484)</u>	<u>(658,869)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	537,371	(250,694)	1,685,704	1,972,381
Transfers to other funds	(162,360)	(107,676)	(815,802)	(1,085,838)
Capital contributions	-	64,270	-	64,270
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>(162,360)</u>	<u>(43,406)</u>	<u>(815,802)</u>	<u>(1,021,568)</u>
CHANGE IN NET POSITION	375,011	(294,100)	869,902	950,813
NET POSITION - BEGINNING OF YEAR	<u>10,745,314</u>	<u>14,172,318</u>	<u>32,717,285</u>	<u>57,634,917</u>
NET POSITION - END OF YEAR	<u>\$ 11,120,325</u>	<u>\$ 13,878,218</u>	<u>\$ 33,587,187</u>	<u>\$ 58,585,730</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,789,536	\$ 6,271,252	\$ 48,431,558	\$ 61,492,346
Cash received from other funds for services	89,794	2,598	-	92,392
Cash received from rent	42,525	-	-	42,525
Other operating cash receipts	3,311	11,032	-	14,343
Cash payments to city - tax equivalents	-	-	(815,802)	(815,802)
Cash payments to suppliers for goods and services	(4,769,700)	(2,094,449)	(40,896,152)	(47,760,301)
Cash payments to employees for services	(1,319,286)	(2,230,732)	(2,517,270)	(6,067,288)
Other operating cash payments	-	-	(35,546)	(35,546)
Customer deposits received	-	-	208,945	208,945
Customer deposits refunded	-	-	(128,929)	(128,929)
Cash payments to other funds for services	-	(2,273)	-	(2,273)
NET CASH PROVIDED BY OPERATING ACTIVITIES	836,180	1,957,428	4,246,804	7,040,412
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(162,360)	(107,676)	-	(270,036)
Sale of materials	-	6,830	-	6,830
Advances from Home Insulation Program	-	-	(31,373)	(31,373)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(60,192)	(100,846)	(31,373)	(192,411)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(1,216,196)	(1,653,700)	(3,515,147)	(6,385,043)
Plant removal cost	-	-	(244,015)	(244,015)
Materials salvaged from retirements	-	-	42,463	42,463
Gain on sale of capital assets	10,488	34,544	-	45,032
Insurance recoveries	7,518	12,617	-	20,135
Debt proceeds	1,300,000	4,675,000	-	5,975,000
Customer capital contributions	-	64,270	-	64,270
Debt issue costs	(30,193)	(111,270)	4,267	(137,196)
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	(7,273)	(7,273)
Advances to other funds	59,704	-	-	59,704
Principal payments on long-term debt	(1,701,388)	(5,439,466)	(755,000)	(7,895,854)
Interest paid on long-term debt	(61,177)	(231,237)	(478,112)	(770,526)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,631,244)	(2,649,242)	(4,949,811)	(9,230,297)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(100,000)	(100,000)
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	31,374	31,374
Interest on cash and investments	91,113	31,720	120,316	243,149
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	91,113	31,720	151,690	274,523
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(764,143)	(760,940)	(582,690)	(2,107,773)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,820,148	3,382,780	14,964,689	24,167,617
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,056,005	\$ 2,621,840	\$ 14,381,999	\$ 22,059,844
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 425,497	\$ 121,565	\$ 2,084,188	\$ 2,631,250
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	461,306	1,124,519	2,307,349	3,893,174
Amounts paid to City - tax equivalents	-	-	(815,802)	(815,802)
Miscellaneous expense	-	-	(35,546)	(35,546)
Change in pension related deferred outflows and inflows of resources	10,861	(26,815)	846,876	830,922
Change in OPEB	(1,777)	-	-	(1,777)
Rent revenue	42,525	-	-	42,525
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(58,618)	-	249,128	190,510
(Increase) decrease in other receivables	119	(376)	-	(257)
(Increase) decrease in inventory	(40,710)	(26,314)	(122,889)	(189,913)
(Increase) decrease in prepaid assets	1,329	(2,509)	92,925	91,745
(Increase) decrease in due from other funds	26,604	2,598	-	29,202
(Increase) decrease in natural gas storage	(121,790)	-	-	(121,790)
Increase (decrease) in accounts payable	(430,100)	256,691	(431,829)	(605,238)
Increase (decrease) in due to other funds	63,190	(2,273)	-	60,917
Increase (decrease) in net pension liability	394,498	478,854	(50,320)	823,032
Increase (decrease) in net OPEB liability	23,572	55,017	(34,099)	44,490
Increase (decrease) in customer deposits	5,969	(2,716)	80,016	83,269
Increase (decrease) in compensated absences	29,262	(25,059)	76,807	81,010
Increase (decrease) in accrued liabilities	4,443	4,246	-	8,689
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 836,180	\$ 1,957,428	\$ 4,246,804	\$ 7,040,412
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
OPEB - (Decrease) Increase in Net Obligation	\$ 23,572	\$ 55,017	\$ (34,099)	\$ 44,490

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS			
Cash and cash equivalents	\$ 128,679	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	12,216,865	8,906,460
Annuities (market value)	-	177,367	-
TOTAL ASSETS	<u>128,679</u>	<u>12,394,232</u>	<u>8,906,460</u>
LIABILITIES			
Accrued liabilities	<u>128,679</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>12,394,232</u>	<u>8,906,460</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 12,394,232</u>	<u>\$ 8,906,460</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 536,806	\$ 328,459	\$ 865,265
Investment income	1,619	497,713	499,332
Net investment gain/(loss)	521,257	-	521,257
Total Additions	<u>1,059,682</u>	<u>826,172</u>	<u>1,885,854</u>
Deductions			
Fees	41,120	3,853	44,973
Benefits	799,378	1,286,458	2,085,836
Total Deductions	<u>840,498</u>	<u>1,290,311</u>	<u>2,130,809</u>
Net increase (decrease) in net position	219,184	(464,139)	(244,955)
NET POSITION - BEGINNING OF YEAR	<u>12,175,048</u>	<u>9,370,599</u>	<u>21,545,647</u>
NET POSITION - END OF YEAR	<u>\$ 12,394,232</u>	<u>\$ 8,906,460</u>	<u>\$ 21,300,692</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Board or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds. This fund was used to pay the debt of the post office building.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency fund is as follows:

Fund	Brief Description
School Agency Fund	Accounts for student activity funds that record transactions related to resources held in fiduciary capacity for the general school population, or in some cases, for a specific segment of the school population.

Pension Trust Funds

Pension trust funds account for pension contributions, benefits, and distributions. The City has the following two funds: one for the Electric Department and another for the governmental departments and the remaining utility departments.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major: General	See above for description.
<i>Special Revenue Fund:</i> General Purpose School	Accounts for revenues and expenditures of the City's school.
<i>Proprietary Fund:</i> Natural Gas Fund	Accounts for activities of the government's natural gas distribution operations.
Water Systems Fund	Accounts for operations of the sewage facilities and the distribution of water.
Electric Department	Accounts for activities of the government's electric distribution operations.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Nonmajor

Special Revenue Funds:

State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
School Tax Fund	Accounts for revenues, which are primarily a portion of the State-shared sales tax revenues and transfers from the General Fund, and expenditures, which are primarily capital in nature.
School Food Service	Accounts for the school cafeteria revenues and the expenditures.
Solid Waste Collection	Accounts for the solid waste collection revenue and expenditures related to disposal services.
Dare Fund	Accounts for project revenues and expenditures related to drug awareness programs.
E-citation Fund	Accounts for revenues generated from e-citations.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.
Lexington-Henderson Alliance	Accounts for economic and community development costs.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for each of the annually budgeted funds lapse at the end of the year.
- c. Revisions to the budget may be made throughout the year in accordance with governing statutes and consistent with generally accepted accounting principles.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utilities as their major receivables.

Inventories and Prepaid Expense

Inventories consist primarily of supplies, valued at cost, which approximates market. Cost is determined using current costs. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Prepaid expenses are also maintained on the consumptive basis of accounting.

Restricted Assets

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Bond Discounts / Issuance Costs

In the governmental funds bond discounts are treated as period costs in the year of issue. In the proprietary funds, bond discounts are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

Bond issuance costs are treated as expenses in the year incurred in both governmental and proprietary funds except for Lexington Electric System. Lexington Electric System capitalizes bond issue costs and amortizes these costs over the life of the bond issue.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value some of the assets acquired prior to June 30, 2003.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$10,000
2. Real property – Buildings	\$10,000
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$ 5,000
b. Trucks/Heavy	\$10,000
c. Buses	\$10,000
d. Vans	\$ 5,000
4. Equipment	\$ 2,000
5. Personal Property	\$ 2,000

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	20-50
Equipment	5-20
Vehicles	6-15
Plant	20-50

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government's deferred outflows of resources are related to pension requirements under GASB Statement No. 68. The Electric System also reports deferred outflows of resources for its unamortized loss on bond refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. The second deferred inflows of resources are related to the government's pension requirements under GASB Statement No. 68.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital lease payables, accrued compensated absences, and post-closure landfill costs.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation and personal leave time permit employees to accumulate earned but unused vacation and personal leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Electric System

It is the System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as a current liability on the financial statements. All sick leave has been accrued and is reflected as both a current and non-current liability on the financial statements.

School System

The System's policy is to pay \$10 for every unused day of sick leave accumulated at retirement. The System's financial statements do not include a liability for compensated absences as the amount is not material.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes,

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. The Board of Aldermen is the government’s highest level of decision-making authority for the government that can, be adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Nonspendable fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The City has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Pensions – School System

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Sales Tax

The City presently levies a nine and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and remitted to the City in the month following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and the School Tax Fund. Sales tax remitted to the City in July has been accrued and are included under the caption "Due from other governments."

Property Tax

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

Expenditures/ Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent, reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City’s compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
E-citation Fund	State Law
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The City’s investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

Pension Plan Investments

Investments are stated at fair market value. The Plan’s investments consist of mutual funds and annuities. Purchases and sales of mutual funds are recorded on the trade-date basis. The Electric Department’s Plan investments consist only of mutual funds.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	Portion to fund city school program
Gasoline Excise Tax	Street purposes
Grants	Grant program expenditures
E-citation fees	E-citation equipment

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2019.

2.E. BUDGET

Lexington City Schools

The System is required by state law to prepare an annual budget. The budget is subject to approval by the Lexington City Council and the System cannot exceed the total budgeted expenditures.

The System uses a budgetary basis of accounting. It is consistent with GAAP, except that instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.E. The City maintains checking accounts with local banks. Also, some funds are held as certificates of deposit at local banks. Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents" and "investments". Investments consist of certificates of deposits at local banks whose original maturity exceeds three months.

The City's policies regarding deposits of cash are discussed in Note 2B.

General Government

As of June 30, 2019, the City's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

Gas System

As of June 30, 2019, the System's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Water Systems

As of June 30, 2019, the System's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

Electric System

As of June 30, 2019, the System's bank deposits were fully collateralized or insured.

School System

Cash in bank balance represents funds on deposit in one local depository. These funds were entirely insured by FDIC or through the Bank Collateral Pool with the State of Tennessee.

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2019.

	City of Lexington		Lexington Electric		Total
	Market Value	Percentage of Total	Market Value	Percentage of Total	
Fixed income	\$ 3,389,634	27.35%	\$ 3,401,035	38.19%	\$ 6,790,669
Equities	9,004,598	72.65%	5,505,425	61.81%	14,510,023
	\$ 12,394,232	100.00%	\$ 8,906,460	100.00%	\$ 21,300,692

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2019.

	City of Lexington	Lexington Electric
Western Asset Core Bond Fund	\$ 689,210	\$ -
Fidelity Advisor Total Bond Return	647,000	-
American Funds Washington Mutual	872,009	635,714
Discovery Fund	-	-
Contra Fund	857,402	626,681
JP Morgan Mid-cap Value	-	261,230
T-Rowe Price Equity Income	-	-
American Funds Investment Fund of America	-	443,182
American Funds Capital World Growth	864,755	628,379
VS Small-cap	-	412,745
Oppenheimer Global	820,913	594,118
Wells ACBF	-	505,777
Van TBMIF	648,426	471,276
BR TRF	650,842	473,062
Van SEF	-	645,257
Intl VAL	788,775	575,940
VS Blue Chip Growth	883,957	-
Invesco Growth and Income	817,389	-

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2019.

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 6,790,669	\$ 3,389,634	\$ 3,401,035	\$ -
Equity securities				
Pooled and separate accounts	14,510,023	9,004,598	5,505,425	-
Total	<u>\$21,300,692</u>	<u>\$ 12,394,232</u>	<u>\$ 8,906,460</u>	<u>-</u>

The fair value of pooled separate accounts for which quoted market prices are not available are valued based on the value of the underlying investments and therefore are Level 2 investments.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2019, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 38,609	\$ 3,631,345	\$ 3,669,954
Allowance for doubtful accounts	(6,201)	(117,160)	(123,361)
Net accounts receivable	<u>\$ 32,408</u>	<u>\$ 3,514,185</u>	<u>\$ 3,546,593</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance 7/1/18</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/19</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,167,067	\$ -	\$ -	\$ 2,167,067
Construction in Progress	591,845	95,364	79,854	607,355
Total Capital assets not being depreciated	<u>2,758,912</u>	<u>95,364</u>	<u>79,854</u>	<u>2,774,422</u>
Capital assets being depreciated				
Buildings	25,737,688	9,415	-	25,747,103
Equipment	9,385,025	880,855	260,752	10,005,128
Infrastructure	16,206,440	56,222	-	16,262,662
Improvements	7,832,766	229,872	6,700	8,055,938
Total Capital assets being depreciated	<u>59,161,919</u>	<u>1,176,364</u>	<u>267,452</u>	<u>60,070,831</u>
Less accumulated depreciation for:				
Buildings	12,053,875	505,817	941	12,558,751
Equipment	6,826,557	482,247	84,953	7,223,851
Infrastructure	11,819,135	46,736	-	11,865,871
Improvements	4,758,978	322,442	6,700	5,074,720
Total accumulated depreciation	<u>35,458,545</u>	<u>1,357,242</u>	<u>91,653</u>	<u>36,723,193</u>
Total capital assets, being depreciated, net	<u>23,703,374</u>			<u>23,347,638</u>
Governmental activities capital assets, net	<u>\$ 26,462,286</u>			<u>\$ 26,122,060</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 606,092	\$ -	\$ -	\$ 606,092
Construction in Progress	3,833,378	1,727,228	3,537,855	2,022,751
Total Capital assets not being depreciated	<u>4,439,470</u>	<u>1,727,228</u>	<u>3,537,855</u>	<u>2,628,843</u>
Capital assets being depreciated				
Buildings	1,482,583	3,742,979	-	5,225,562
Equipment	8,737,625	773,690	274,248	9,237,067
Plant	119,377,124	4,044,753	1,259,585	122,162,292
Total Capital assets being depreciated	<u>129,597,332</u>	<u>8,561,422</u>	<u>1,533,833</u>	<u>136,624,921</u>
Less accumulated depreciation for:				
Buildings	943,077	37,255	-	980,332
Equipment	6,602,499	247,550	274,248	6,575,801
Plant	51,889,036	3,933,002	1,461,137	54,360,901
Total accumulated depreciation	<u>59,434,612</u>	<u>4,217,807</u>	<u>1,735,385</u>	<u>61,917,034</u>
Total capital assets, being depreciated, net	<u>70,162,720</u>			<u>74,707,887</u>
Business-type activities capital assets, net	<u>\$ 74,602,190</u>			<u>\$ 77,336,730</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 136,411
Public safety	285,444
Public works	243,050
Health, recreation and welfare	692,337
Total depreciation expense	<u>\$1,357,242</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

3.D. ACCOUNTS PAYABLE

Payables in the general fund and nonmajor governmental funds are composed of payables to vendors.

3.E. OPERATING LEASES

Various schools and the Board of Education have operating leases for the use of copiers. This cost is recorded as instructional and administrative expenditures. The terms of these lease arrangements vary.

3.F. PREPAID MEALS

The amount for prepaid meals on the School Food Authority Fund reflects money that students and staff have credited toward meals in the following school year. The overpayment amount may be refunded to persons or applied to that person's meal account in the following year. In the event that a student graduates, the overpayment may be refunded or applied to another family member's meal account.

3.G. LONG-TERM LIABILITIES

The reporting entity's long-term liabilities is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2019, will be retired from various funds as noted in the Schedule of Changes in Long-Term Debt by Individual Issue.

Direct Borrowing and Direct Placements – The City issues other loans to provide funds for the acquisition and construction of major capital facilities. Loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The loans outstanding were issued for original terms of up to 10 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All loans included in long-term debt as of June 30, 2019, will be retired from the General Purpose School Fund and the Water System Fund.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Governmental Activities

As of June 30, 2019, the governmental long-term liabilities of the financial reporting entity consisted of the following:

Governmental Activities

General Obligation Bonds

2010 General Obligation Refunding Bond dated March 1, 2011, through September 1, 2019, bearing interest rates of 2% to 3%.	\$	420,000
2012 General Obligation School Bonds dated May 1, 2012, due June 1, 2013, through June 1, 2032, bearing interest rates of 1.00 to 3.125%.		4,800,000
2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest.		151,058
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.		206,645
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.		1,035,000

Direct Borrowing and Direct Placements

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest.		96,900
		6,709,603

Other Liabilities

Compensated absences	1,307,698
Unamortized debt premiums	25,726
Net pension liability	2,114,035
Net OPEB liability	962,293
Landfill closure costs	207,753
	11,327,108

Total Government Activity	\$	11,327,108
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**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Business-type Activities

Revenue Bonds

2011 Water Refunding Bonds,
dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%. 165,000

2017 Electric Department Refunding Revenue Bonds,
due 2018 through 2032, bearing an interest rate of 2.00% to 2.75%. 5,935,000

2011 Electric Plant Revenue Bonds, variable interest of
2.0% to 4.0% due serially through 2037 6,565,000

2018 Electric Department Revenue Bonds, due serially
through 2038, bearing an interest rate of 3.00% to 4.00%%. 2,895,000

Direct Borrowing and Direct Placements

Local Government Loan Program Bond, Series 2015, variable interest 1,716,900

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012,
due April 1, 2013 through April 1, 2028, interest 1% to 2%. 2,753,354

2017 General Obligation Bonds, dated July 20, 2017,
due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%. 4,000,000

Public Works Refund Bonds, dated February 7, 2019,
due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00% 5,975,000

Other liabilities

Compensated absences 2,201,000

Advances from Home Installation Program 508,200

Net pension liability 4,332,877

Net OPEB liability 3,735,585

Unamortized debt premiums 282,530

Total Business-type Activities \$ 41,065,446

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	<u>Balance 7/1/2018</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2019</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 7,478,474	\$ 1,035,000	\$ 1,900,775	\$ 6,612,699	\$ 891,473
Direct Borrowing and Direct Placements	132,132	-	35,232	96,900	35,232
Landfill Closure Costs	212,494	-	4,741	207,753	-
Unamortized debt premiums	5,842	20,819	935	25,726	1,860
Total governmental type activities	<u>7,828,942</u>	<u>1,055,819</u>	<u>1,941,683</u>	<u>6,943,078</u>	<u>928,565</u>
<u>Business Type Activities</u>					
Revenue Bonds	23,090,000	-	7,530,000	15,560,000	940,000
Direct Borrowing and Direct Placements	1,813,000	-	96,100	1,716,900	97,000
General Obligation Bonds	7,023,109	5,975,000	269,755	12,728,354	604,056
Unamortized debt premiums	160,152	129,652	7,273	282,531	13,710
Total business type activities	<u>32,086,261</u>	<u>6,104,652</u>	<u>7,903,128</u>	<u>30,287,785</u>	<u>1,654,766</u>
Total government	<u>\$ 39,915,203</u>	<u>\$ 7,160,471</u>	<u>\$ 9,844,811</u>	<u>\$ 37,230,863</u>	<u>\$ 2,583,331</u>

Water and Gas Systems

During the year the City of Lexington issued \$7,010,000 in general obligation bonds. These bonds were issued to fund various projects for the General Fund, Water System, and Gas System. Issuance costs associated with these bonds were approximately \$166,579. The issue costs will be recognized as expenses in the current year according to GASB Statement No. 65.

The Gas System's portion of these bonds is \$1,300,000 with related issue costs of \$30,193. The Water System's portion of these bonds is \$4,675,000 with related issue costs of \$111,270.

Other Long-term liabilities

Governmental-type compensated absences have been paid in prior years by the General Fund. Landfill post closure costs have been paid in prior years by the Solid Waste Fund.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2019 are as follows:

Year Ending June 30,	<i>General Obligation Bonds</i>				Principal and Interest Total
	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	
2020	891,473	184,539	604,056	324,526	2,004,594
2021	477,171	169,554	818,358	302,019	1,767,102
2022	417,340	160,135	832,660	288,406	1,698,541
2023	423,039	149,951	851,961	272,750	1,697,701
2024	438,737	138,790	866,263	256,431	1,700,221
2025-2029	2,324,939	505,029	4,250,056	958,960	8,038,984
2030-2034	1,640,000	138,898	3,450,000	455,083	5,683,981
2035-2039	-	-	1,055,000	68,462	1,123,462
Total	\$ 6,612,699	\$ 1,446,896	\$ 12,728,354	\$ 2,926,637	\$ 23,714,586

Year Ending June 30,	<i>Direct Placement and Direct Borrowings</i>			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	35,232	-	97,000	51,510
2021	35,232	-	98,000	48,600
2022	26,436	-	100,000	45,660
2023	-	-	101,000	42,660
2024	-	-	102,000	39,630
2025-2029	-	-	532,000	151,320
2030-2034	-	-	569,000	69,360
2035	-	-	117,900	3,540
	\$ 96,900	\$ -	\$ 1,716,900	\$ 452,280

Year Ending June 30,	<i>Revenue Bonds</i>	
	Business-type Activities	
	Principal	Interest
2020	940,000	459,880
2021	795,000	438,655
2022	820,000	419,317
2023	835,000	400,011
2024	855,000	378,480
2025-2029	4,700,000	1,524,592
2030-2034	4,395,000	786,716
2035-2038	2,220,000	154,190
	\$ 15,560,000	\$ 4,561,841

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER FROM						Totals
	General	Police Drug	School Tax Fund	Lexington Electric	Water	Gas	
TRANSFER TO							
General	\$ -	\$ -	\$ -	\$ 815,802	\$ 107,676	\$ 162,360	\$ 1,085,838
Post Office Fund	133,500	-	-	-	-	-	133,500
Solid Waste Fund	-	-	-	-	-	-	-
Lex-Hend Co Alliance	-	-	-	-	-	-	-
DARE	-	3,500	-	-	-	-	3,500
School Debt	-	-	968,615	-	-	-	968,615
General Purpose School	619,999	-	443,001	-	-	-	1,063,000
GRAND TOTALS	<u>\$ 753,499</u>	<u>\$ 3,500</u>	<u>\$ 1,411,616</u>	<u>\$ 815,802</u>	<u>\$ 107,676</u>	<u>\$ 162,360</u>	<u>\$ 3,254,453</u>

The transfers from General Fund to other various funds are all for operating expenses. The transfers from the Water, Natural Gas, and Electric Funds to the General Fund are for in-lieu of taxes. Transfers from the Sales Tax Fund to the School Debt Fund are for debt payments and capital outlay expenditures.

Interfund Receivables and Payables

	DUE TO:				Totals
	General	Solid Waste	Water Systems	Gas	
DUE FROM:					
General	\$ -	\$ -	\$ 40,289	\$ 29,259	\$ 69,548
Solid Waste	-	-	-	8,917	8,917
Gas	46,808	57,102	557,695	-	661,605
Water Systems	36,811	-	-	10,289	47,100
	<u>\$ 83,619</u>	<u>\$ 57,102</u>	<u>\$ 597,984</u>	<u>\$ 48,465</u>	<u>\$ 787,170</u>

Transactions arising from Water, Sewer, and Garbage Fund billing of utility services are recorded in these accounts between the Gas, Water System, and Solid Waste Funds. The amounts due to the General Fund from the Water and Gas Funds are for expenses paid by the General Fund and not yet reimbursed by the other funds.

3.I. ON-BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2019 were \$28,797 and \$12,465, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan Obligations

Certain employees of the City, except school employees, are members of the City's contributory, defined benefit pension plan, a single-employer plan. School department information is included in another note. The plan was established by City ordinance and may be amended by such.

Actuarial Cost Method

Individual entry age normal, level percent of pay – Under this method, the annual cost is equal to the normal cost, plus an amortization of the unfunded accrued liabilities over a fixed period of years.

The normal cost is the sum of individual normal costs, determined as a level percentage of compensation which would have been necessary to fund the employee's projected retirement, death and withdrawal benefits, from entry age (the age at which the employee would have entered the plan had it been in effect on his employment date), to his retirement age. Thus, the dollar normal cost is expected to increase with the salary projection assumption.

The actuarial accrued liability is the accumulation, based on the actuarial assumptions, of all assumed prior normal costs. Thus, it represents the amount of reserves, which would be held by the plan, had it always been in effect for the present group of participants and had plan experience followed that predicted by the actuarial assumptions. The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial gains and losses arising from differences between plan experience and that predicted by the actuarial assumptions, as measured by the difference between actual and expected unfunded accrued liabilities, are amortized over the average expected remaining service lives of all employees, as required by GASB, for periods starting after July 1, 2014.

Attribution Parameters

Attribution parameters determine how growth in the benefit formula is allocated to years of service.

Accrual rate proration, by component – This method attributes the benefit separately for each component of the benefit formula, based on the benefit credited service. If there is no accrual definitions in the benefit formula, then the entire projected benefit is assigned to past service (and considered fully accrued as of the valuation date). This results in "natural" or "directing differencing" attribution.

Accrued and Vested Benefits

Vested benefits are based on the plan document's vesting schedule based on years of service.

Early retirement subsidies are only valued once participants become eligible by meeting the specified requirements.

Disability and death benefits (other than qualified pre-retirement survivor annuity) are not treated as vested benefits for liability calculation purposes.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Plan Description

The City of Lexington pension committee administers the Retirement Plan for Employees of The City of Lexington (Plan) – a single employer defined benefit pension plan that provides pensions for employees.

Participant Data

Inactive Plan Participants as of January 1, 2018:

Retirees and beneficiaries currently receiving benefits	8
Terminated employees entitled to deferred benefits	26
Disabled employees entitled to deferred benefits	<u>0</u>
Total	34

Active Plan Participants as of January 1, 2018:

Vested	70
Partially-vested	13
Non-vested	<u>0</u>
Total	83

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/18

Eligibility Requirements: Minimum age of 20 and 12 minimum months of service. Entry date is the first day of the month coinciding with or next following the date the requirements are met.

Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60 and 10 years of service.

Normal Retirement Benefit Formula:

Effective July 1, 2000 monthly annuity is equal to the sum of (1) and (2) below:

- (1) 2.25% of the member's Average Monthly Earnings multiplied by years of Credited Service up to a maximum of 30 years.
- (2) 1.85% of member's Average Monthly Earnings multiplied by years of Credit Service in excess of 30 years.

For contributing members as of April 1, 1986, minimum monthly annuity is equal to 3.33% of member's Average Monthly Earnings multiplied by years of credited service subject to a maximum of 15 years. Members of the prior plan will receive a benefit no less than 40% of the average monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater.

Average Monthly Earnings: The greater of (i) average of monthly compensation for the 5 consecutive years of highest compensation and (ii) monthly compensation during the year immediately preceding the participant's 60th birthday.

Credited Service: Number of years and completed months of active participation in this plan and the prior plan.

Normal Form of Benefits: Single: Single Life Annuity with 120 months certain.
 Married: Equivalent 50% Joint and Survivor Annuity

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Maximum Annual Benefit: \$ 220,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Employee Contributions: Monthly contributions equal to 6% of member's monthly earnings.

Credited Interest: 5% per annum compounded annually.

Early Retirement Benefit: Minimum Age: 50; Minimum Service: 10 years; Benefit Amount: based on service and earnings at termination, reduced actuarially.

Late Retirement Benefit: Normal retirement benefit increased 8% per annum for each year that retirement is deferred.

Pre-Retirement Death Benefit: Member contributions credited with interest to the date of death.

Disability Benefit: Normal retirement benefit at date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

Vested Termination Benefit: A member who terminates employment with less than 5 years of credited service may elect to receive, at any time prior to retirement, either: i) a return of member contributions with interest to the date of payment, or ii) income payments at retirement provided by his own contributions with interest. A member who terminates employment with 5 or more years of service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service. The percentage is determined as follows:

<u>Years of Credited Service</u>	<u>Percentage</u>
Less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

Cost of Living Adjustment: The plan sponsor has adopted an amendment to apply an annual cost of living increase adjustment (COLA) each July 1 beginning July 1, 2018. The COLA will be based on the Consumer Price Index for Urban Wage Earners, with a maximum annual increase of 3% and a minimum increase of 0%. The COLA will be prorated for a participant receiving fewer than twelve payments in the preceding year by the number of months of payment divided by 12.

Contribution Required

Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following funding policy.

Actuarial Cost Method: Individual Entry Age Normal, Level of Percentage of Pay

Asset Valuation Method: Market Value of Assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.

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Amortization Method: The amortization method shall be the Plan's Normal Cost plus a 30-year amortization of the Unfunded Liability as of January 1, 2015. The amortization period for future experience gains and losses shall be 10 years from the date of the actuarial valuation.

Investments

Investment information has been provided by John Hancock.

Investment Policy: As of the release of this report, we have not received the target investment allocations. The target allocations can be obtained from your investment advisor.

Rate of Return: For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The City's net pension liability at June 30, 2018 is \$3,708,834. The following assumptions were used in the calculation of the net pension liability.

Actuarial Assumptions (for calculation of the Net Pension Liability)

Post-Retirement

Mortality – TCRS Mortality Table (effective for the 2018 valuation report)

Investment Return – 7.25% per annum

Cost of Living – 2.25% annually for participants receiving an annuity each July 1 beginning July 1, 2018. This assumption is used to estimate future changes in the Consumer Price Index.

Pre-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.25% per annum

Salary Projection – 4.00% per annum. The assumption selected is consistent with the plan sponsor's current compensation practice. This reflects consideration of the following factors:

- Available compensation data, including:
 - Plan sponsor's current compensation practice and any anticipated changes

Retirement Age – age 62 or current age if later

Expense Loading – none

Lump Sum Election Rate – 20% of the population is assumed to elect a lump sum distribution, 80% of the population is assumed to elect an annuity

Lump Sum Conversion – 1971 Group Annuity Mortality Table, 6% interest. The lump sum does not reflect the Cost of Living adjustment available to participants who retire electing an annuity form of payment.

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Pre-Retirement Decrement Rates

Age	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.028%	0.014%	9.000%	9.000%	0.060%	0.060%
30	0.038%	0.020%	7.500%	7.500%	0.060%	0.060%
35	0.067%	0.035%	6.000%	6.000%	0.089%	0.089%
40	0.086%	0.046%	4.500%	4.500%	0.183%	0.183%
45	0.105%	0.070%	3.000%	3.000%	0.306%	0.306%
50	0.137%	0.105%	1.500%	1.500%	0.492%	0.492%
55	0.219%	0.219%	0.000%	0.000%	0.804%	0.804%
60	0.463%	0.448%	0.000%	0.000%	1.202%	1.202%

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Plan's net pension liability	\$ 5,802,158	\$ 3,708,834	\$ 1,957,846

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Change in City's Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2018 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	\$ 12,686,501	\$ 11,093,198	\$ 1,593,303
Changes for the year:			
Service cost	379,860	-	379,860
Interest	923,056	-	923,056
Changes of benefit terms	2,305,226	-	2,305,226
Differences between expected and actual experience	(85,512)	-	(85,512)
Contributions - employer	-	338,238	(338,238)
Contributions - employee	-	211,399	(211,399)
Net investment income	-	943,442	(943,442)
Benefit payments	(513,384)	(513,384)	-
Administrative expense	-	(85,980)	85,980
Net changes	<u>3,009,246</u>	<u>893,715</u>	<u>2,115,531</u>
Balances at 6/30/18	<u>\$ 15,695,747</u>	<u>\$ 11,986,913</u>	<u>\$ 3,708,834</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$2,515,064. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,286	\$ 390,430
Changes of assumptions	-	302,113
Net difference between projected and actual earnings on pension plan investments	-	141,336
Contributions subsequent to the measurement date of June 30, 2018	330,342	-
Total	<u>\$ 447,628</u>	<u>\$ 833,879</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	(32,676)
2020	(139,096)
2021	(294,299)
2022	(150,187)
2023	(91,401)
Thereafter	(8,934)

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Payable to the Pension Plan

At June 30, 2019, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan.

Defined Contribution Plan

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City of Lexington Retirement Asset Accumulation Plan became effective on April 1, 2012 and is administered by the City of Lexington. Employees are required to make a mandatory contribution of 6% of their annual compensation and the City matches their contribution with an equal amount. The employer's contributions are not vested until after five annual periods in the plan. The employer has the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of Participants or their beneficiaries. The City's current year contributions to the plan were as follows:

General Government	\$77,497
Water System	\$32,173
Gas System	\$14,303
School System	\$44,494

Electric System

General information: The Board of the Lexington Electric System accounts for the activity of the Retirement Income Plan for Employees of Lexington Electric System. The Plan is a single employer public employee retirement System administered by USI Consulting Group, Inc. No employees enter the plan after April 1, 2012.

Benefits provided: The Plan provides normal retirement benefits at age 60.

Normal form of retirement income: The normal form of retirement income for a single member is a Single Life Annuity with 120 months certain. The normal form of benefit for a married member is an equivalent 50% Joint and Survivor Annuity.

Normal retirement benefit: Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual compensation is \$215,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Early retirement: Once a member has attained age 50 and completed 10 years of service he/she may take an early retirement benefit based on service and earnings at termination, reduced actuarially.

Late retirement: If a member works past normal retirement age his/her normal retirement benefit will be increased eight percent per annum for each year that retirement is deferred.

**CITY OF LEXINGTON, TENNESSEE
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Death benefit: If a participant dies prior to retirement he/she will receive his/her member contributions credited with interest to the date of death plus the actuarially equivalent value of the member's accrued benefit, if greater than the member contributions with interest.

Benefits upon termination of employment. If a participant dies prior to retirement, he/she will receive his/her member contributions credited with interest to the date of death plus the actuarially equivalent value of the member's accrued benefit, if greater than the member contributions with interest.

Benefits upon disability: A disabled participant will receive a normal retirement benefit calculated at the date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

Vested termination benefit: A member who terminates employment with less than five years of credited service may elect to receive, at any time prior to retirement, either a return of member contributions with interest to the date of payment or income payments at retirement provided by his/her own contribution with interest. A member who terminates employment with five or more years of credited service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service.

Cost of living feature: Effective July 1, 2018, the Plan has been amended to provide an annual increase for retired participants based on the CPI-U, with a maximum adjustment of 3%.

The percentage is determined using the following table:

<u>Years of Credited Service</u>	<u>Percentage</u>
less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

Contributions: Lexington Electric System is required to contribute the amounts necessary to fund the Plan, as determined by the actuary. Employees are required to contribute 6% of their monthly earnings.

At July 1, 2018 and 2017 membership consisted of:

	<u>2018</u>	<u>2017</u>
Retirees and beneficiaries currently receiving benefits	9	8
Terminated employees entitled to benefits	4	4
Active employees:		
Fully or partially vested	<u>35</u>	<u>36</u>
Total	<u>48</u>	<u>48</u>

Funded status and funding progress: As of June 30, 2019 the actuarial accrued liability for benefits was \$11,550,095 and the net pension liability was \$2,643,635. The total covered payroll was \$2,012,123 and the ratio of net pension liability to covered payroll was 131.39%. As of June 30, 2018, the actuarial accrued liability for benefits was \$12,108,677 and the net pension liability to covered payroll was 120.81%.

CITY OF LEXINGTON, TENNESSEE
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Net pension liability: The components of the net pension liability of the Retirement Income Plan for the Employees of Lexington Electric System at June 30, 2019 and 2018 are detailed in the following tables. The first table is required to be disclosed due to the inclusion of the fiduciary fund statement's in the System's financial statements. The Total Pension Liability was rolled forward to June 30, 2019 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2018, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/18	\$ 12,108,677	\$ 9,370,599	\$ 2,738,078
Changes for the year:			
Service cost	207,244	-	207,244
Interest	825,492	-	825,492
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(373,305)	-	(373,305)
Change of assumptions	68,445	-	68,445
Contributions - employer	-	204,174	(204,174)
Contributions - employee	-	124,285	(124,285)
Net investment income	-	497,713	(497,713)
Benefit payments	(1,286,458)	(1,286,458)	-
Administrative expense	-	(3,853)	3,853
Net changes	(558,582)	(464,139)	(94,443)
Balances at 6/30/19	<u>\$ 11,550,095</u>	<u>\$ 8,906,460</u>	<u>\$ 2,643,635</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	\$ 11,177,710	\$ 8,389,312	\$ 2,788,398
Changes for the year:			
Service cost	224,008	-	224,008
Interest	822,895	-	822,895
Changes of benefit terms	780,756	-	780,756
Differences between expected and actual experience	(325,344)	-	(325,344)
Change of assumptions	(481,164)	-	(481,164)
Contributions - employer	-	225,475	(225,475)
Contributions - employee	-	131,456	(131,456)
Net investment income	-	717,418	(717,418)
Benefit payments	(90,184)	(90,184)	-
Administrative expense	-	(2,878)	2,878
Net changes	930,967	981,287	(50,320)
Balances at 6/30/18	<u>\$ 12,108,677</u>	<u>\$ 9,370,599</u>	<u>\$ 2,738,078</u>

The change of benefit terms increase during the year ended June 30, 2018 is a result of the addition of a cost of living adjustment effective July 1, 2018.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	2019		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 3,640,009	\$ 2,643,635	\$ 1,786,244
	2018		
Net pension liability	\$ 3,740,191	\$ 2,738,078	\$ 1,868,043

Net Pension Liability

The System's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2018 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal, level percentage of pay
Amortization Method	Level dollar, closed
Remaining Amortization period	26 years as of 7/1/18
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Salary increases	3.00% per annum
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality table:	
Pre-retirement mortality	2014 Combined Static Mortality
Post-retirement mortality	TCRS Mortality Table
Disability mortality	TCRS Mortality Table

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of actuarial experience studies for the periods July 1, 2017 through June 30, 2018 and July 1, 2016 through June 30, 2017 respectively.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LEXINGTON, TENNESSEE
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Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement periods ended June 30, 2018 and 2017, the System recognized pension expense of \$987,441 and \$406,376. At June 30, 2018 and 2017, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 389,384	\$ 513,375
Change of assumptions	72,183	410,091
Net difference between projected and actual earnings on pension plan investments	-	101,171
Contributions subsequent to the measurement date of June 30, 2018	190,885	-
Total	<u>\$ 652,452</u>	<u>\$ 1,024,637</u>
Differences between expected and actual experience	\$ 506,047	\$ 285,583
Change of assumptions	93,990	-
Net difference between projected and actual earnings on pension plan investments	-	65,238
Contributions subsequent to the measurement date of June 30, 2017	225,475	-
Total	<u>\$ 825,512</u>	<u>\$ 350,821</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 31,424
2020	(49,193)
2021	(153,806)
2022	(142,576)
2023	(157,191)
Thereafter	(91,728)

Electric System

The System began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System's current year contributions to the plan were \$50,946. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

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School Department

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lexington City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed now to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <http://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

1. Teacher Legacy Pension Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2019 to the Teacher Legacy Pension Plan were \$332,798 which is 10.73 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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Pension liabilities (assets). At June 30, 2019, the Lexington City Schools reported a liability (asset) of (\$329,365) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Lexington City Schools' proportion of the net pension liability was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 Lexington City Schools' proportion was 0.093599 percent. The proportion measured as of June 30, 2017 was 0.099332 percent.

Pension expense (negative pension expense). For the year ended June 30, 2019, Lexington City Schools recognized pension expense (negative pension expense) of (\$106,237).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,576	\$ 444,340
Changes in assumptions	194,525	-
Net difference between projected and actual earnings on pension plan investments	-	71,684
Changes in proportion of Net Pension Liability (Asset)	12,116	44,676
LEA's contribution subsequent to the measurement date of June 30, 2018	332,798	n/a
Total	<u>\$ 606,015</u>	<u>\$ 560,700</u>

Lexington City Schools employer contribution of \$332,798 reported, as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 55,943
2021	(117,137)
2022	(191,928)
2023	(34,360)
2024	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed marked international equity	5.29%	14%
Emerging marked international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive

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members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percent-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,538,995	\$ (329,365)	\$ (2,702,500)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2019, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

2. Teacher Retirement Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring

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governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019 to the Teacher Retirement Plan were \$9,002, which is 1.94 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2019, Lexington City Schools reported an liability (asset) of (\$24,265) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension asset was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018 Lexington City Schools' proportion was 0.053504 percent. The proportion measured at June 30, 2017 was 0.075890 percent.

Pension expense (negative pension expense). For the year ended June 30, 2019, Lexington City Schools recognized pension expense (negative pension expense) of \$8,764.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,374	\$ 967
Net difference between projected and actual earnings on pension plan investments	-	1,371
Changes in assumptions	1,145	-
Changes in proportion of Net Pension Liability (Asset)	6,119	503
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2017	<u>22,108</u>	<u>(not applicable)</u>
Total	<u>\$ 30,746</u>	<u>\$ 2,841</u>

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Lexington City Schools; employer contributions of \$22,108 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$	300
2020		257
2021		61
2022		419
2023		602
Thereafter		4,159

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percent-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 3,751	\$ (24,265)	\$ (44,907)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2019, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

TCRS Stabilization Trust

Legal Provisions. Lexington City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The System has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the

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payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the System.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

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Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2019, the System had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 3,717
Developed Market International Equity	N/A	N/A	1,679
Emerging Market International Equity	N/A	N/A	480
U. S. Fixed Income	N/A	N/A	2,398
Real Estate	N/A	N/A	2,398
Short-term Securities	N/A	N/A	1,199
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>120</u>
Total			<u>\$ 11,991</u>

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Investments by Fair Value Level	Fair Value 6/30/2019	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U. S. Equity	\$ 3,717	\$ 3,717	\$ -	\$ -	\$ -
Developed Market					
International Equity	1,679	1,679	-	-	-
Emerging Market					
International Equity	480	480	-	-	-
U. S. Fixed Income	2,398	-	2,398	-	-
Real Estate	1,199	-	-	1,199	-
Short-term Securities	120	-	120	-	-
Private Equity and Strategic Lending	2,398	-	-	-	2,398
Total	\$ 11,991	\$ 5,876	\$ 2,518	\$ 1,199	\$ 2,398

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The System places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the System to pay retirement benefits of the School Department employees.

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For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ad18092.pdf>.

4.B. POST EMPLOYMENT HEALTHCARE PLAN

CITY GOVERNMENT FUNDS

Plan Description – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City.

Plan Provisions

Plan Type: Fully Insured

Eligibility: Hired on or after March 1, 2012: Age 60 with 10 years of service
Employees hired prior to March 1, 2012 are not eligible.

Benefit/Cost Sharing: The employer pays a percentage of the medical premium until age 65
Based on total years of service in accordance with the following:

Years of Service at Retirement Date	Employer-Funded Portion of Individual Coverage for Post-Retirement Individual Coverage
20	100%
19	95%
18	90%
17	85%
16	80%
15	75%
14	70%
13	65%
12	60%
11	55%
10	50%

Spouse Benefit: No

Surviving Spouse Benefit: No

Annual Medical Premium: Effective July 1, 2017 through June 30, 2018: Individual \$7,586.88

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Employees Covered By Benefit Terms

At the measurement date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefits	-
Inactive Employees Entitled to But	
Not Yet Receiving Benefits	-
Active Employees	2
Total	<u>2</u>

Changes in Total OPEB Liability

	<u>City</u>	<u>Water</u>	<u>Gas</u>	<u>Total</u>
Balance at 6/30/18	\$ 290,773	\$ 92,638	\$ 70,415	\$ 453,826
Changes for the year:				
Service Cost	104,365	41,640	15,706	161,711
Interest	15,292	5,197	3,333	23,822
Changes in assumptions and other inputs	22,321	8,180	4,533	35,034
Benefit payments	-	-	-	-
Net changes	<u>141,978</u>	<u>55,017</u>	<u>23,572</u>	<u>220,567</u>
Balance at 6/30/19	<u>\$ 432,751</u>	<u>\$ 147,655</u>	<u>\$ 93,987</u>	<u>\$ 674,393</u>

Assumption changes – The discount rate was 3.87% as of June 30, 2018 and 3.50% as of June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

1% Decrease ▼ (2.50%)	Discount Rate ▼ (3.50%)	1% Increase ▼ (4.50%)
\$ 778,074	\$ 674,393	\$ 583,650

1% Decrease (7% decreasing to 4%)	Healthcare Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
\$ 482,560	\$ 674,393	\$ 795,054

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the City recognized OPEB expense of \$186,375. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions/inputs	33,158	17,634
Contributions subsequent to the measurement date	-	(not applicable)
Total	\$ 33,158	\$ 17,634

The amounts shown above for "Contributions subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	842
2021	842
2022	842
2023	842
2024	842
Thereafter	11,314

Actuarial Methods and Assumptions – An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

In the July 1, 2017 actuarial valuation, the entry age actuarial cost method was used. Under this method, the Actuarial Present Value of Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The values in this valuation represent a closed group and do not reflect new entrants after the census collection date.

Discount Rate: A discount rate of 3.50% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2019.

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Mortality: The sex distinct mortality rates are from the RP-2014 Combined Male and Female Fully Generational Morality Table with projection scale MP-2017

Retirement Rates: Employees were assumed to retire at age 60, or at first subsequent year in which they would be eligible

Disability Rates: None assumed

Termination Rates: Based on age and service:

<u>Age</u>	<u>Trend Rates</u>
25	4.50%
30	3.75%
35	3.00%
40	2.25%
45	1.50%
50	0.75%
55+	0.00%

Health Care Trend Rates: It was assumed that health care costs would increase in accordance with the trend rates in the following table

<u>Year</u>	<u>Trend Rates</u>
2017	9.0%
2018	8.5%
2019	8.0%
2020	7.5%
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025+	5.0%

Participation Rates: It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical medical plan upon retirement.

Actuarial Value of Assets: N/A

Per Capita Claim Costs: Per Capita Claim Costs were developed by applying morbidity aging factors to the average factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

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<u>Age</u>	<u>Male</u>	<u>Female</u>
50	\$ 9,208	\$ 10,622
55	11,181	11,601
60	13,484	12,926
65	7,677	7,187
70	8,477	7,942
75	9,360	8,770
80	9,839	9,211
85	10,343	9,684
90	10,867	10,177
95	11,422	10,701
100	12,005	11,246

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

Payroll Growth Rate: 2.50% annually

High Cost Plan Excise Tax: Effective in 2020. The law applies a 40% tax to the cost of plan benefits in excess of statutory thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees, and \$11,850 for single coverage and \$30,950 for family coverage for retirees who are between ages 55 and 65. We assume the thresholds will start to increase in 2018 at the rate of 2.76%. The plan costs for pre-65 and post-65 benefits are based on the plans' premium costs adjusted for aging and trended at the health care trend rates shown above.

ELECTRIC SYSTEM

Plan Description – Lexington Electric System sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, the directors of the System, as the rest of the operations of the System.

Annual OPEB Cost and Net OPEB Obligation – Changes in the System's net OPEB liability measured at June 30, 2019 and 2018 are detailed in the following table. The table below shows the net OPEB liability as of June 30, 2019, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

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Changes in Total OPEB Liability

Total OPEB Liability June 30, 2018	\$ 3,528,042
Service Cost	144,058
Interest	132,283
Changes of assumptions	(198,516)
Benefit payments	<u>(111,924)</u>
Net changes	<u>(34,099)</u>
Total OPEB Liability June 30, 2019	<u><u>\$ 3,493,943</u></u>

Total OPEB Liability June 30, 2017	\$ 3,333,873
Service Cost	160,992
Interest	108,224
Benefit payments	<u>(75,047)</u>
Net changes	<u>194,169</u>
Total OPEB Liability June 30, 2018	<u><u>\$ 3,528,042</u></u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Lexington Electric System as of July 1, 2018 and only those not frozen in the defined benefit plan.

Plan Membership

Number of participants	
Active	53
Inactives not receiving benefits	-
Inactives receiving benefits	<u>5</u>
Total participants	<u><u>58</u></u>

Benefits Provided

Eligibility is attained at age 60. The System pays 100% of the employee premium until Medicare eligible. The Utility also provides a life insurance benefit of \$10,000 to eligible employees.

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.87% based on S & P Municipal Bond 20 Year High Grade Index
Health trend rate	9.0% starting in 2017 reduced each year by 1% until 5% is reached
Mortality	The sex distinct mortality rates are from the RP-2000 Combined Male and Female Fully Generational Mortality Table
Coverage assumptions	It was assumed that 100% of the current active employees covered

CITY OF LEXINGTON, TENNESSEE
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under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period ending July 1, 2018. The salary increases are assumed to be 3.50% annually with an annual payroll growth rate of 2.50%.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate for the measurement periods of June 30, 2019 and 2018, respectively:

1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
\$ 3,759,538	\$ 3,493,943	\$ 3,251,220

1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
\$ 3,184,679	\$ 3,528,042	\$ 3,927,630

Sensitivity of Net OPEB Liability to Changes in Discount Rate

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate for the measurement periods of June 30, 2019 and 2018, respectively:

1% Decrease 2.87%	Current 3.87%	1% Increase 4.87%
\$ 3,768,531	\$ 3,493,943	\$ 3,241,676

1% Decrease 2.13%	Current 3.13%	1% Increase 4.13%
\$ 3,815,237	\$ 3,528,042	\$ 3,262,631

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**CITY OF LEXINGTON, TENNESSEE
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Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2019 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2019 administrative expenses paid were \$0.

SCHOOL SYSTEM

1. Closed Teacher Group OPEB Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The System offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for health benefits. Retired plan members, of the TGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The System does not subsidize for pre-65 retiree insurance coverage. The State, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollee of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2018, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>92</u>
	<u>95</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System paid \$28,309 to the TGOP for OPEB benefits as they came due.

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JUNE 30, 2019

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.75% for 2019, decreasing annually to an ultimate rate of 3.85% for 2050 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.62%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

**CITY OF LEXINGTON, TENNESSEE
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JUNE 30, 2019**

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TGOP - (expressed in thousands)	
Balance at June 30, 2017	\$ 906
Changes for the year:	
Service costs	67
Interest	34
Changes in benefit terms	-
Differences between expected and actual experience	(166)
Changes in assumptions	19
Benefit payments	(44)
Net changes	(91)
Balance at June 30, 2018	\$ 815
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 285
Employer's proportionate share of the collective total OPEB liability	\$ 530
Employer's proportion of the collective total OPEB liability	64.97%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed .2% from the prior measurement date. The System recognized \$28,797 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

Changes in assumptions – The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.62%) or 1-percentage point higher (4.62%) than the current discount rate. (expressed in thousands)

	1% Decrease	Discount Rate	1% Increase
	▾ (2.62%)	▾ (3.62%)	▾ (4.62%)
Proportionate share of collective total OPEB liability	\$ 575	\$ 530	\$ 487

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Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.75% decreasing to 2.85%) or 1-percentage-point higher (7.75% decreasing to 4.85%) than the current healthcare cost trend rate. (expressed in thousands).

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of collective total OPEB liability	\$ 458	\$ 530	\$ 616

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2019, the System recognized OPEB expense of \$82,566.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP - (expressed in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 98
Changes in assumptions	11	25
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	1	-
Employer payments subsequent to the measurement date	16	-
	<u>\$ 29</u>	<u>\$ 123</u>

The amounts shown above for “Employer payments subsequent to the measurement date” will be included as a reduction to total OPEB liability in the following measurement period.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Amounts referred to as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

TGOP - (expressed in thousands)

For the year ended June 30:

2019	\$ (11.5)
2020	(11.5)
2021	(11.5)
2022	(11.5)
2023	(11.5)
Thereafter	(11.5)

The table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

2. Closed Tennessee Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the State, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN Plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the TCRS may participate in this plan. All plan members receive the same benefits at the same benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The State, as a governmental non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2018, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	30
Inactive employees entitled to but not yet receiving benefit payments	9
Active employees	<u>67</u>
	<u>106</u>

CITY OF LEXINGTON, TENNESSEE
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In accordance with TCA 8-27-209, the State insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.62%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

**CITY OF LEXINGTON, TENNESSEE
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JUNE 30, 2019**

Changes in Collective Total OPEB Liability

TNP - (expressed in thousands)	Total OPEB Liability (a)
Balance at June 30, 2017	<u>\$ 333</u>
Changes for the year:	
Service costs	5
Interest	12
Changes of benefit terms	-
Differences between expected and actual experience	(6)
Changes in assumptions	(2)
Benefit payments	<u>(16)</u>
Net changes	(8)
Balance at June 30, 2018	<u>\$ 325</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 325
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The System's proportion of 0% did not change from the prior measurement date. The System recognized \$12,465 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2019, the System recognized OPEB expense of \$12,465.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TNP from the following sources:

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

Amounts referred to as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

TNP	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 5,444
Changes in assumptions and other inputs	-	23,434
Benefits paid after the measurement date	-	-
	<u>\$ -</u>	<u>\$ 28,878</u>

TNP

For the year ended June 30:

2020	\$ (4,328)
2021	\$ (4,328)
2022	\$ (4,328)
2023	\$ (4,328)
2024	\$ (4,328)
Thereafter	\$ (7,238)

The table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

4.C. RISK MANAGEMENT

Beginning April 2015, medical insurance for employees is provided by self-funding claims as they arise. Under this arrangement, the System provides coverage for the deductible up to a maximum of \$5,000 per year for each employee's medical claims. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for all employees are as follows:

<u>Balance at 7/1/2018</u>	<u>Incurred Claims</u>	<u>Claims Payments</u>	<u>Balance at 6/30/2019</u>
\$ 37,227	\$ 317,902	\$ 325,710	\$ 29,419

4.D. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers' compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

School System

The System participates in the Tennessee Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Boards Association, an association of member school districts.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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The System pays an annual premium to the TSB-RMT for its general liability, property, casualty and worker's compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

Electric System

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019 the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.E. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$207,753 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

4.F. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits brought against it. The City cannot predict the outcome of these cases and it is possible losses could be incurred. The amount of such possible losses cannot be determined.

Electric System

The electric system has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting system funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

4.G. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* became effective for the year ending June 30, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* addresses note disclosure requirements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should report when disclosing information related to debt. These required disclosures include direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

4.H. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The system has an ongoing project for the construction of a new gas main in the Huron community to serve incoming poultry farms. As of June 30, 2019, the System has incurred engineering costs of \$7,540 for the project. This project is expected to be bid in Spring 2020 with an anticipated cost of \$3,000,000.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2019, the System has incurred engineering costs of \$6,586 for this project. The project is expected to be bid in Summer 2020 with an anticipated cost of \$300,000.

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2019, there is approximately \$86,146 remaining to complete this project. The System has \$535 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

Lexington Water System

The System has several construction projects in process at June 30, 2019. Commitments for these projects are described below.

The System has incurred \$51,786 in engineering costs for a filter plant project that involves numerous upgrades of the plant. The system has made payments to the contractor totaling \$257,474. There is approximately \$690,023 remaining to complete the project.

Major projects have been planned for the Wastewater Treatment Plant and various lift stations. The system has incurred \$19,806 in project design and planning costs. The lift stations will be bid in July 2019 with an estimated cost of \$120,000. The Wastewater Treatment Plant projects is expected to be bid in August 2019 with an estimated cost of \$50,000.

The System has incurred \$4,790 in project design costs to upgrade the Piney Water Booster Pump Station. The project is expected to be bid sometime in 2020 with a project estimate of \$80,000. There is approximately \$80,000 remaining from a previous bond issue to complete the project.

The System is working with the Tennessee Department of Economic and Community Development on an existing industry expansion project. The System is expanding a water main on Seahorse Drive to accommodate the needs of the industry. A total of \$30,572 is remaining to complete this project. The system anticipates reimbursement for 100% of the project costs from the Tennessee Department of Economic and Community Development.

The utility relocation projects involving the Bypass Highway are all on hold by the Tennessee Department of Transportation (TDoT). The sewer bypass project has estimated costs of \$157,205 with an estimated \$136,450 remaining to complete this project. The System has \$39,338 that is to be reimbursed by TDoT to help with these remaining costs. The water bypass project has estimated costs of \$165,550 and estimated \$108,577 remaining to complete this project. The System has \$40,468 that is to be reimbursed by TDoT to help with these remaining costs.

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JUNE 30, 2019**

City of Lexington

The City has received a grant in the amount of \$897,750 for Phase II of the sidewalk/multimodal project which has a projected cost of \$945,000 and is expected to be bid in Spring 2020. As of June 30, 2019, the City had recognized \$67,096 in engineering and design for this project.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2019

General Government/Water System/Gas System

Total OPEB liability	2019	2018
Service cost	\$ 161,711	\$ 165,949
Interest	23,822	16,367
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	35,034	(19,702)
Benefit payments and refunds	-	-
Net change in total OPEB liability	<u>220,567</u>	<u>162,614</u>
Total OPEB liability - beginning of year	<u>453,826</u>	<u>291,212</u>
Total OPEB liability - end of year	<u><u>\$ 674,393</u></u>	<u><u>\$ 453,826</u></u>
Covered-employee payroll	\$ 551,259	\$ 537,813
OPEB liability as a percentage of covered-employee payroll	122.34%	84.38%

Notes:

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 3.87% as of June 30, 2018 and 3.50% as of June 30, 2019.

Note 3: This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Note 4: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
LEXINGTON ELECTRIC SYSTEM
JUNE 30, 2019

Total OPEB liability	2019	2018
Service cost	\$ 144,058	\$ 160,992
Interest	132,283	108,224
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(198,516)	-
Benefit payments and refunds	<u>(111,924)</u>	<u>(75,047)</u>
Net change in total OPEB liability	(34,099)	194,169
Total OPEB liability - beginning of year	<u>3,528,042</u>	<u>3,333,873</u>
Total OPEB liability - end of year	<u><u>\$ 3,493,943</u></u>	<u><u>\$ 3,528,042</u></u>
Covered-employee payroll	\$ 3,070,151	\$ 2,995,269
Net OPEB liability as a percentage of covered-employee payroll	113.80%	117.79%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2019

	City 2014	City 2015	City 2016	City 2017	City 2018	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018
Total pension liability										
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 207,035	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008
Interest	793,037	872,786	971,567	923,073	923,056	700,229	706,762	771,286	781,193	822,895
Changes in benefit terms	-	-	-	-	2,305,226	-	-	-	-	780,756
Differences between actual and expected experience	-	237,578	(98,825)	(368,339)	(85,512)	-	819,077	32,345	(335,078)	(325,344)
Change of assumptions	-	-	(503,521)	-	-	-	159,411	-	-	(481,164)
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	3,009,246	(494,924)	1,667,027	(131,980)	319,830	930,967
Total pension liability - beginning	10,263,610	11,266,663	12,692,913	13,143,391	12,686,501	9,817,757	9,322,833	10,989,860	10,857,880	11,177,710
Total pension liability - ending (a)	<u>\$ 11,266,663</u>	<u>\$ 12,692,913</u>	<u>\$ 13,143,391</u>	<u>\$ 12,686,501</u>	<u>\$ 15,695,747</u>	<u>\$ 9,322,833</u>	<u>\$ 10,989,860</u>	<u>\$ 10,857,880</u>	<u>\$ 11,177,710</u>	<u>\$ 12,108,677</u>
Plan fiduciary net position										
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475
Contributions - employee	268,022	263,830	252,445	229,686	211,399	148,508	138,780	137,893	133,538	131,456
Net investment income	1,272,111	193,153	(555)	1,454,142	943,442	1,088,227	135,350	15,848	1,037,995	717,418
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(85,980)	(505)	(295)	(425)	(3,410)	(2,878)
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	893,715	497,529	703,783	(331,453)	1,116,844	981,287
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	11,093,198	6,402,609	6,900,138	7,603,921	7,272,468	8,389,312
Plan fiduciary net position - ending (b)	<u>\$ 9,358,784</u>	<u>\$ 10,185,527</u>	<u>\$ 10,498,905</u>	<u>\$ 11,093,198</u>	<u>\$ 11,986,913</u>	<u>\$ 6,900,138</u>	<u>\$ 7,603,921</u>	<u>\$ 7,272,468</u>	<u>\$ 8,389,312</u>	<u>\$ 9,370,599</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,907,879</u>	<u>\$ 2,507,386</u>	<u>\$ 2,644,486</u>	<u>\$ 1,593,303</u>	<u>\$ 3,708,834</u>	<u>\$ 2,422,695</u>	<u>\$ 3,385,939</u>	<u>\$ 3,585,412</u>	<u>\$ 2,788,398</u>	<u>\$ 2,738,078</u>
Plan fiduciary net position as a percentage of total pension liability	83.07%	80.25%	79.88%	87.44%	76.37%	74.01%	69.19%	66.98%	75.05%	77.39%
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 2,412,526	\$ 2,341,064	\$ 2,378,246	\$ 2,310,481	\$ 2,266,450
Net pension liability (asset) as a percentage of covered-employee payroll	46.81%	58.97%	67.08%	44.49%	108.34%	100.42%	144.63%	150.76%	120.68%	120.81%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF PLAN CONTRIBUTIONS
JUNE 30, 2019

	City 2014	City 2015	City 2016	City 2017	City 2018	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 401,377	\$ 292,712	\$ 229,917	\$ 625,883	\$ 366,403	\$ 305,704	\$ 241,669	\$ 170,322
Contributions in relation to the actuarially determined contribution	<u>509,921</u>	<u>510,282</u>	<u>501,481</u>	<u>380,037</u>	<u>338,238</u>	<u>663,487</u>	<u>663,487</u>	<u>663,487</u>	<u>305,704</u>	<u>225,475</u>
Contribution deficiency (excess)	<u>\$ (81,724)</u>	<u>\$ (23,422)</u>	<u>\$ (100,104)</u>	<u>\$ (87,325)</u>	<u>\$ (108,321)</u>	<u>\$ (37,604)</u>	<u>\$ (297,084)</u>	<u>\$ (357,783)</u>	<u>\$ (64,035)</u>	<u>\$ (55,153)</u>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$2,412,526	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481	\$ 2,266,450
Contributions as a percentage to covered payroll	12.51%	12.00%	12.72%	10.61%	9.88%	27.50%	28.34%	27.90%	13.23%	9.95%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
 FISCAL YEARS ENDING JUNE 30,

	City 2014	City 2015	City 2016	City 2017	City 2018	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018
Annual money-weighted rate of return, net of investment expense	16.32%	2.02%	-0.01%	14.61%	8.57%	17.24%	1.91%	0.23%	14.48%	8.42%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2019**

Notes to Schedule - City

Valuation date: January 1. Since the plan year is equal to a calendar year, contributions are determined on a calendar year basis. The amount displayed represents the contribution for the plan year beginning within the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level percent of pay
Amortization method	27 years as of 1/1/2018
Remaining amortization period	30 as of 1/1/2015
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	3.50%
Cost of living increases:	None as of 1/1/2018; Effective 7/1/2018: annual CPI-based COLA, maximum of 3%, effective each 7/1
Investment Rate of Return	7.25%
Retirement age	Age 62 or current age if later
Mortality	2014 IRS Combined Static Mortality Table for the year of valuation

*This is a summary of the methods and assumptions for the 1/1/18 Actuarial Valuation

Notes to Schedule - LES

Valuation date: January 1. Since the plan year is equal to a calendar year, contributions are determined on a calendar year basis. The amount displayed represents the contribution for the plan year beginning within the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age accrued liability, level percentage of pay
Amortization method	Level dollar amortization, closed
Remaining amortization period	27 years as of 7/1/2017
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	4.00% per annum
Investment Rate of Return	7.25% per annum
Retirement age assumption	100% at age 60
Cost of living increase	2.25% to approximate CPI
Pre-Retirement Mortality	2014 Small Plan Combined Static Mortality Table
Post-Retirement Mortality	TCRS Mortality Table
Disabled Mortality	TCRS Mortality Table

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104496%	0.09933200%	0.09359900%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%	17.310000%	-0.93%	-10.05%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	94.14%	100.14%	101.49%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2019**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798
Contribution in relation to the actuarially determined contribution	<u>365,390</u>	<u>347,918</u>	<u>340,998</u>	<u>317,564</u>	<u>297,598</u>	<u>332,798</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,102,068
Contributions as a percentage of Lexington City School's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.73%

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%	0.053504%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)	\$ (24,265)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 10,202	\$ 18,702	\$ 9,002
Contribution in relation to the actuarially determined contribution	8,565	12,491	19,924	18,702	9,002
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,674)</u>	<u>\$ (9,722)</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 407,545	\$ 467,556	\$ 464,041
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	5.00%	4.00%	1.94%

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

Note 2. In FY 2019 the School Department placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS -
SCHOOL SYSTEM
(dollar amounts in thousands)
JUNE 30, 2019

	<u>TGOP 2018</u>	<u>TNP 2018</u>	<u>TGOP 2019</u>	<u>TNP 2019</u>
Total OPEB Liability				
Service cost	\$ 72	\$ 6	\$ 67	\$ 5
Interest	28	10	34	12
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)
Changes of assumptions	(48)	(28)	18	(3)
Benefit payments	(41)	(15)	(44)	(16)
Net change in total OPEB liability	<u>10</u>	<u>(26)</u>	<u>(91)</u>	<u>(8)</u>
Total OPEB Liability - beginning	896	359	906	333
Total OPEB Liability - ending	<u>\$ 906</u>	<u>\$ 333</u>	<u>\$ 815</u>	<u>\$ 325</u>

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -
Covered-employee payroll	\$ 2,976	\$ -	2,976	-
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	20%	n/a	18%	n/a

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period: 2017 - 2.92%; 2018 - 3.56%; 2019 - 3.62%.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue							Debt Service		Capital Projects	Total Other Governmental Funds	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington-Henderson Alliance	General Sinking Fund	School Debt Fund		Post Office Fund
ASSETS												
Cash and cash equivalents	\$ 126,998	\$ 237,748	\$ 175,497	\$ 59,621	\$ 3,126	\$ 25,364	\$ 151,193	\$ 52,856	\$ 2,006	\$ -	\$ 964,131	\$ 1,798,540
Other receivables	-	3,412	-	-	-	-	-	-	-	-	16,054	19,466
Due from other funds	-	-	-	57,102	-	-	-	-	-	-	-	57,102
Prepaid insurance	-	-	-	18,543	-	-	-	-	-	-	-	18,543
Inventory	-	-	36,901	-	-	-	-	-	-	-	-	36,901
Due from other governments	46,451	262,887	-	-	-	-	-	-	-	-	-	309,338
TOTAL ASSETS	<u>\$ 173,449</u>	<u>\$ 504,047</u>	<u>\$ 212,398</u>	<u>\$ 135,266</u>	<u>\$ 3,126</u>	<u>\$ 25,364</u>	<u>\$ 151,193</u>	<u>\$ 52,856</u>	<u>\$ 2,006</u>	<u>\$ -</u>	<u>\$ 980,185</u>	<u>\$ 2,239,890</u>
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,244	\$ -	\$ -	\$ -	\$ -	\$ 3,244
Accrued liabilities	-	-	-	5,611	-	-	-	-	-	-	-	5,611
Unearned revenues	-	-	6,610	-	-	-	3,345	-	-	-	-	9,955
Due to other funds	-	-	-	8,917	-	-	-	-	-	-	-	8,917
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>6,610</u>	<u>14,528</u>	<u>-</u>	<u>-</u>	<u>6,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,727</u>
FUND BALANCES												
Nonspendable												
Inventory	-	-	36,901	-	-	-	-	-	-	-	-	36,901
Prepaid expenses	-	-	-	18,543	-	-	-	-	-	-	-	18,543
Restricted												
State street aid	173,449	-	-	-	-	-	-	-	-	-	-	173,449
School food authority	-	-	168,887	-	-	-	-	-	-	-	-	168,887
E-citation fund	-	-	-	-	-	25,364	-	-	-	-	-	25,364
Drug fund	-	-	-	-	-	-	144,604	-	-	-	-	144,604
Lexington-Henderson Co Alliance	-	-	-	-	-	-	-	52,856	-	-	-	52,856
Solid waste	-	-	-	102,195	-	-	-	-	-	-	-	102,195
Assigned												
DARE fund	-	-	-	-	3,126	-	-	-	-	-	-	3,126
Debt service	-	504,047	-	-	-	-	-	-	2,006	-	-	506,053
Capital projects	-	-	-	-	-	-	-	-	-	-	980,185	980,185
TOTAL FUND BALANCES	<u>173,449</u>	<u>504,047</u>	<u>205,788</u>	<u>120,738</u>	<u>3,126</u>	<u>25,364</u>	<u>144,604</u>	<u>52,856</u>	<u>2,006</u>	<u>-</u>	<u>980,185</u>	<u>2,212,163</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 173,449</u>	<u>\$ 504,047</u>	<u>\$ 212,398</u>	<u>\$ 135,266</u>	<u>\$ 3,126</u>	<u>\$ 25,364</u>	<u>\$ 151,193</u>	<u>\$ 52,856</u>	<u>\$ 2,006</u>	<u>\$ -</u>	<u>\$ 980,185</u>	<u>\$ 2,239,890</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington- Henderson Alliance	Debt Service		Capital Projects	Total Other Governmental Funds
									General City Sinking Fund	School Debt Fund	Post Office Fund	
Revenues:												
Taxes	\$ -	\$ 1,438,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,341	\$ 1,597,189
Intergovernmental	268,729	-	432,343	-	-	-	-	-	-	-	-	701,072
Charges for services	-	-	122,668	792,520	-	-	-	-	-	-	-	915,188
Fines, forfeitures, and penalties	-	-	-	-	-	4,910	132,512	-	-	-	-	137,422
Other revenue	2,221	15,670	5,135	17,045	-	507	1,855	1,676	46	-	36,793	80,948
Total Revenues	<u>270,950</u>	<u>1,454,518</u>	<u>560,146</u>	<u>809,565</u>	<u>-</u>	<u>5,417</u>	<u>134,367</u>	<u>1,676</u>	<u>46</u>	<u>-</u>	<u>195,134</u>	<u>3,431,819</u>
Expenditures:												
Current:												
Public works	206,647	-	-	776,746	-	-	-	-	-	-	-	983,393
Public safety	-	-	-	-	2,351	-	82,104	-	-	-	-	84,455
Health, welfare and recreation	-	8,789	541,504	-	-	-	-	-	-	-	96,813	647,106
Economic and community development	-	-	-	-	-	-	-	33,750	-	-	431,367	465,117
Capital outlay	-	-	25,486	6,500	-	-	42,920	-	-	-	2,273	77,179
Debt Service	-	-	-	-	-	-	-	-	-	968,615	-	968,615
Total Expenditures	<u>206,647</u>	<u>8,789</u>	<u>566,990</u>	<u>783,246</u>	<u>2,351</u>	<u>-</u>	<u>125,024</u>	<u>33,750</u>	<u>-</u>	<u>968,615</u>	<u>530,453</u>	<u>3,225,865</u>
Revenues over Expenditures	<u>64,303</u>	<u>1,445,729</u>	<u>(6,844)</u>	<u>26,319</u>	<u>(2,351)</u>	<u>5,417</u>	<u>9,343</u>	<u>(32,074)</u>	<u>46</u>	<u>(968,615)</u>	<u>(335,319)</u>	<u>205,954</u>
Other Financing Sources (Uses)												
Operating transfer in	-	-	-	-	3,500	-	-	-	-	968,615	133,500	1,105,615
Operating transfer (out)	-	(1,411,616)	-	(33,873)	-	-	(3,500)	-	-	-	-	(1,448,989)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(1,411,616)</u>	<u>-</u>	<u>(33,873)</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>	<u>-</u>	<u>-</u>	<u>968,615</u>	<u>133,500</u>	<u>(343,374)</u>
Net Change in Fund Balances	<u>64,303</u>	<u>34,113</u>	<u>(6,844)</u>	<u>(7,554)</u>	<u>1,149</u>	<u>5,417</u>	<u>5,843</u>	<u>(32,074)</u>	<u>46</u>	<u>-</u>	<u>(201,819)</u>	<u>(137,420)</u>
Fund Balance at Beginning of Year, as originally stated	109,146	469,934	213,967	128,292	1,977	19,947	138,761	84,930	1,960	-	1,182,004	2,350,918
Change in reserve for inventory	-	-	(1,335)	-	-	-	-	-	-	-	-	(1,335)
Fund Balance at Beginning of Year, as restated	109,146	469,934	212,632	128,292	1,977	19,947	138,761	84,930	1,960	-	1,182,004	2,349,583
Fund Balance at End of Year	<u>\$ 173,449</u>	<u>\$ 504,047</u>	<u>\$ 205,788</u>	<u>\$ 120,738</u>	<u>\$ 3,126</u>	<u>\$ 25,364</u>	<u>\$ 144,604</u>	<u>\$ 52,856</u>	<u>\$ 2,006</u>	<u>\$ -</u>	<u>\$ 980,185</u>	<u>\$ 2,212,163</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

STUDENT ACTIVITY FUND	Balance 7/1/2018	Additions	Deductions	Balance 6/30/2019
ASSETS				
Cash	\$ 119,040	\$ 240,597	\$ 230,958	\$ 128,679
Accounts receivable	-	-	-	-
	<u>\$ 119,040</u>	<u>\$ 240,597</u>	<u>\$ 230,958</u>	<u>\$ 128,679</u>
Liabilities				
Due to student groups	\$ 117,127	\$ 240,597	\$ 229,666	\$ 128,058
Accounts Payable	1,913	621	1,913	621
	<u>\$ 119,040</u>	<u>\$ 241,218</u>	<u>\$ 231,579</u>	<u>\$ 128,679</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State gas and motor fuel tax	\$ 267,820	\$ 265,000	\$ 144,891	\$ (120,109)
State gas 1989 tax	-	-	23,114	23,114
State 2017 gas tax	-	-	57,895	57,895
State gas three cent tax	-	-	42,829	42,829
Other revenues				
Interest income	500	-	2,221	2,221
Total revenues	<u>268,320</u>	<u>265,000</u>	<u>270,950</u>	<u>5,950</u>
Expenditures:				
Public Works:				
Street lighting	218,360	210,000	201,281	8,719
Repairs and maintenance	25,000	20,000	5,366	14,634
Downtown paving	-	35,000	-	35,000
Total expenditures	<u>243,360</u>	<u>265,000</u>	<u>206,647</u>	<u>58,353</u>
Revenues over (under) Expenditures	<u>24,960</u>	<u>-</u>	<u>64,303</u>	<u>64,303</u>
Other financing sources and uses:				
Transfers out	-	-	-	-
Total Other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,960	-	64,303	64,303
Fund Balance at Beginning of Year	<u>109,146</u>	<u>109,146</u>	<u>109,146</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 134,106</u>	<u>\$ 109,146</u>	<u>\$ 173,449</u>	<u>\$ 64,303</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHOOL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,462,680	\$ 1,427,500	\$ 1,438,848	\$ 11,348
Other revenues:				
Interest income	17,669	20,869	15,670	(5,199)
Total Revenues	<u>1,480,349</u>	<u>1,448,369</u>	<u>1,454,518</u>	<u>6,149</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	4,000	4,000	7,760	(3,760)
Paying agent fees	4,500	4,500	1,029	3,471
Capital outlay	-	25,000	-	25,000
Total Expenditures	<u>8,500</u>	<u>33,500</u>	<u>8,789</u>	<u>24,711</u>
Revenues over (under) Expenditures	<u>1,471,849</u>	<u>1,414,869</u>	<u>1,445,729</u>	<u>30,860</u>
Other financing sources and uses:				
Transfers out	(1,411,618)	(1,411,618)	(1,411,616)	2
Total Other financing sources and uses	<u>(1,411,618)</u>	<u>(1,411,618)</u>	<u>(1,411,616)</u>	<u>2</u>
Net Change in Fund Balances	60,231	3,251	34,113	30,862
Fund Balance at Beginning of Year	<u>469,934</u>	<u>469,934</u>	<u>469,934</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 530,165</u>	<u>\$ 473,185</u>	<u>\$ 504,047</u>	<u>\$ 30,862</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 60,000	\$ 56,597	\$ 56,597	\$ -	\$ -	\$ 56,597	\$ -
Adult	11,000	8,947	8,947	-	-	8,947	-
Payment for breakfast							
Student	27,000	22,612	22,612	-	-	22,612	-
USDA - lunch programs	234,000	244,678	244,678	-	-	244,678	-
USDA - breakfast programs	122,000	112,907	112,907	-	-	112,907	-
USDA - commodities	35,845	34,208	30,252	-	-	30,252	(3,956)
USDA - other	15,000	13,692	13,721	-	-	13,721	29
USDA - equipment grant	-	-	25,000	-	-	25,000	25,000
Rebate	-	1,433	1,433	-	-	1,433	-
State matching funds	4,500	4,352	4,352	-	-	4,352	-
A La Carte sales	38,000	34,512	34,512	-	-	34,512	-
Revenues from individual schools	2,000	2,090	1,590	-	-	1,590	(500)
Interest income	500	500	624	-	-	624	124
Other revenues	-	2,932	2,921	-	-	2,921	(11)
Total Revenues	549,845	539,460	560,146	-	-	560,146	20,686
Expenditures							
Food supplies	211,520	209,883	215,715	-	-	215,715	(5,832)
Personnel expenditures							
Supervisor/director	31,127	31,127	31,292	-	-	31,292	(165)
Accountants and bookkeepers	22,121	22,121	22,301	-	-	22,301	(180)
Cafeteria personnel	140,500	140,500	139,227	-	-	139,227	1,273
Other salaries and wages	4,000	4,000	5,900	-	-	5,900	(1,900)
Inservice training	1,650	1,650	20	-	-	20	1,630
Social security	12,362	12,362	10,251	-	-	10,251	2,111
Medical insurance	68,216	68,216	63,800	-	-	63,800	4,416
Dental insurance	966	966	924	-	-	924	42
Unemployment compensation	650	650	560	-	-	560	90
Retirement	9,742	9,742	9,377	-	-	9,377	365
Employer medicare	2,891	2,891	2,397	-	-	2,397	494
Dues and memberships	250	250	-	-	-	-	250
Operations and maintenance							
Maintenance and repair	5,000	5,000	2,430	-	-	2,430	2,570
Nonfood supplies							
Food preparation supplies	12,000	12,000	13,693	-	-	13,693	(1,693)
Office supplies	1,000	1,000	990	-	-	990	10
Printing, stationery and forms	400	400	463	-	-	463	(63)
Uniforms	800	800	742	-	-	742	58
Other supplies and materials	4,000	4,000	1,799	-	-	1,799	2,201
Other							
Postal charges	100	100	114	-	-	114	(14)
Other contracted services	10,000	10,000	8,672	-	-	8,672	1,328
Other transportation	3,000	3,000	3,731	-	-	3,731	(731)
Travel	50	50	-	-	-	-	50
Inservice/staff development	5,000	5,000	6,232	-	-	6,232	(1,232)
Other charges	500	500	94	-	-	94	406
Food service equipment - capital outlay	2,000	2,000	26,266	(25,486)	1,270	2,050	(50)
Total Expenditures	549,845	548,208	566,990	(25,486)	1,270	542,774	5,434
Excess (deficiency) of revenues over (under) expenditures	-	(8,748)	(6,844)	25,486	(1,270)	17,372	26,120
Fund balance - beginning of year, as previously reported	213,967	213,967	213,967	-	-	213,967	-
Change in reserve for inventory	-	-	(1,335)	-	-	(1,335)	(1,335)
Fund balance - beginning of year, as restated	213,967	213,967	212,632	-	-	212,632	(1,335)
Fund balance - end of year	\$ 213,967	\$ 205,219	\$ 205,788	\$ 25,486	\$ (1,270)	\$ 230,004	\$ 24,785

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SOLID WASTE COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Collection charges	\$ 675,000	\$ 675,800	\$ 676,397	\$ 597
Landfill use fees	120,000	136,000	112,491	(23,509)
Recovery of bad debts	2,750	4,000	3,632	(368)
Other revenues:				
Interest revenue	500	1,130	1,299	169
Miscellaneous income	29,000	20,000	15,746	(4,254)
Total revenues	827,250	836,930	809,565	(27,365)
Expenditures				
Public Works:				
Salaries	310,955	274,055	273,676	379
Payroll taxes	23,788	21,000	20,839	161
Hospital and health insurance	75,264	62,000	61,292	708
Retirement	18,112	19,900	19,693	207
Other benefits	4,700	5,000	4,808	192
Workers compensation insurance	20,330	18,500	15,580	2,920
Unemployment insurance	432	350	272	78
Employee education and benefits	1,300	1,300	914	386
Public notice	-	200	-	200
Utilities	2,575	3,500	2,953	547
Telephone	510	1,075	1,071	4
Legal expense	1,000	1,000	189	811
Consultant's services	10,000	10,000	10,000	-
Tires, flats, etc.	4,000	8,000	7,411	589
R&M vehicles	10,000	35,000	31,773	3,227
R&M machinery and equipment	10,000	3,000	2,251	749
R&M grounds	1,000	1,000	705	295
R&M buildings	1,000	1,000	51	949
R&M other	3,000	3,000	2,466	534
Travel	1,000	2,500	1,988	512
Office supplies	750	1,000	699	301
Operating supplies	1,500	1,500	821	679
Other operating	7,000	20,000	16,945	3,055
Janitorial supplies	200	200	-	200
Clothing and uniforms	2,800	2,800	2,795	5
Fuel supplies	55,000	39,000	36,407	2,593
Consumable tools	1,000	1,500	863	637
Small items of equipment	1,000	1,000	20,108	(19,108)
Safety supplies	1,500	1,500	386	1,114
Insurance	10,000	9,000	8,534	466
Tipping fees	204,500	220,000	215,341	4,659
Permit fees	4,000	3,200	3,150	50
Soil testing	4,000	4,650	4,632	18
Medical costs	2,000	2,000	-	2,000
Bad debt expense	12,000	12,000	8,133	3,867
Capital outlay - new cell	150,000	20,000	6,500	13,500
Capital outlay	85,167	10,000	-	10,000
Total expenditures	1,041,383	820,730	783,246	37,484
Revenues over (under) expenditures	(214,133)	16,200	26,319	10,119
Other financing sources and uses:				
Transfers in (out)	215,000	188,967	(33,873)	(222,840)
Total other financing sources and uses	215,000	188,967	(33,873)	(222,840)
Net change in fund balances	867	205,167	(7,554)	(212,721)
Fund Balance at Beginning of Year	128,292	128,292	128,292	-
Fund Balance at End of Year	\$ 129,159	\$ 333,459	\$ 120,738	\$ (212,721)

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
DARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public Safety:				
Public relations	3,500	3,500	2,351	1,149
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>2,351</u>	<u>1,149</u>
Revenues over (under) expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>(2,351)</u>	<u>1,149</u>
Other financing sources and uses:				
Transfers in	3,500	3,500	3,500	-
Net change in fund balances	-	-	1,149	1,149
Fund Balance at Beginning of Year	<u>1,977</u>	<u>1,977</u>	<u>1,977</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,977</u>	<u>\$ 1,977</u>	<u>\$ 3,126</u>	<u>\$ 1,149</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
E-CITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND
ACTUAL
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,000	\$ 5,000	\$ 4,910	\$ (90)
Other revenues:				
Interest income	200	450	507	57
Total revenues	<u>5,200</u>	<u>5,450</u>	<u>5,417</u>	<u>(33)</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,200</u>	<u>5,450</u>	<u>5,417</u>	<u>(33)</u>
Other financing sources and uses:				
Transfer in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,200	5,450	5,417	(33)
Fund Balance at Beginning of Year	<u>19,947</u>	<u>19,947</u>	<u>19,947</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 25,147</u>	<u>\$ 25,397</u>	<u>\$ 25,364</u>	<u>\$ (33)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
POLICE DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Handling fees	\$ -	\$ -	\$ 200	\$ 200
Drug related fines	16,500	14,900	14,482	(418)
Forfeitures	40,000	22,500	18,697	(3,803)
Sale of seized property	10,000	3,250	3,250	-
Other revenues:				
Interest income	750	1,200	1,855	655
Total revenues	<u>67,250</u>	<u>41,850</u>	<u>38,484</u>	<u>(3,366)</u>
Expenditures:				
Public Safety:				
Salary - drug investigator	34,400	-	-	-
Vehicle tow (seized property)	500	2,500	2,245	255
Repair and maintenance	1,000	2,500	1,665	835
Operating costs	15,500	7,500	6,167	1,333
Clothing and uniforms	2,200	2,200	228	1,972
Educational costs	2,000	2,000	412	1,588
Small items of equipment	2,000	60,000	71,387	(11,387)
Capital outlay	6,000	60,000	42,920	17,080
Total expenditures	<u>63,600</u>	<u>136,700</u>	<u>125,024</u>	<u>11,676</u>
Revenues over (under) expenditures	<u>3,650</u>	<u>(94,850)</u>	<u>(86,540)</u>	<u>8,310</u>
Other financing sources and uses:				
Transfer out	(3,500)	(3,500)	(3,500)	-
Sale of capital assets	-	95,710	95,883	173
Total other financing sources and uses	<u>(3,500)</u>	<u>92,210</u>	<u>92,383</u>	<u>173</u>
Net change in fund balances	150	(2,640)	5,843	8,483
Fund Balance at Beginning of Year	<u>138,761</u>	<u>138,761</u>	<u>138,761</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 138,911</u>	<u>\$ 136,121</u>	<u>\$ 144,604</u>	<u>\$ 8,483</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 LEXINGTON-HENDERSON COUNTY ALLIANCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Interest earned	\$ -	\$ 1,500	\$ 1,676	\$ 176
Total Revenues	<u>-</u>	<u>1,500</u>	<u>1,676</u>	<u>176</u>
Expenditures:				
Economic and community development				
Salaries	-	28,000	26,485	1,515
Payroll taxes	-	2,200	2,026	174
Workers compensation	-	250	242	8
Unemployment insurance	-	100	32	68
Employee education	-	500	455	45
Travel	-	3,600	3,511	89
Office supplies	-	200	144	56
Projects	-	1,000	855	145
Total Expenditures	<u>-</u>	<u>35,850</u>	<u>33,750</u>	<u>2,100</u>
Revenues over (under) Expenditures	<u>-</u>	<u>(34,350)</u>	<u>(32,074)</u>	<u>2,276</u>
Other financing sources and uses:				
Transfers in	-	-	-	-
Net Change in Fund Balances	-	(34,350)	(32,074)	2,276
Fund Balance at Beginning of Year	<u>84,930</u>	<u>84,930</u>	<u>84,930</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 84,930</u>	<u>\$ 50,580</u>	<u>\$ 52,856</u>	<u>\$ 2,276</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
DEBT SERVICE - SINKING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Interest income	\$ 25	\$ 35	\$ 44	\$ 9
Miscellaneous	-	-	2	2
Total revenues	<u>25</u>	<u>35</u>	<u>46</u>	<u>11</u>
Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>25</u>	<u>35</u>	<u>46</u>	<u>11</u>
Net change in fund balances	25	35	46	11
Fund Balance at Beginning of Year	<u>1,960</u>	<u>1,960</u>	<u>1,960</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,985</u>	<u>\$ 1,995</u>	<u>\$ 2,006</u>	<u>\$ 11</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHOOL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2018	Add: Encumbrances 6/30/2019	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	811,653	811,653	811,651	-	-	811,651	2
Interest	156,965	156,965	156,964	-	-	156,964	1
Total Expenditures	968,618	968,618	968,615	-	-	968,615	3
Excess (deficiency) of revenues over (under) expenditures	(968,618)	(968,618)	(968,615)	-	-	(968,615)	3
Other financing sources and (uses)							
Transfers in	968,618	968,618	968,615	-	-	968,615	(3)
Total other financing sources and (uses)	968,618	968,618	968,615	-	-	968,615	(3)
Net change in fund balance	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 CAPITAL PROJECTS - POST OFFICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Liquor taxes	\$ 150,000	\$ 155,000	\$ 158,341	\$ 3,341
Other revenues:				
Interest income	8,800	25,000	25,942	942
Fireworks contributions	12,500	14,000	10,850	(3,150)
Miscellaneous	-	-	1	1
Total Revenues	<u>171,300</u>	<u>194,000</u>	<u>195,134</u>	<u>1,134</u>
Expenditures:				
Economic development:				
Industrial development expenses	6,500	571,475	431,367	140,108
Health, welfare and recreation:				
Operating costs	-	500	315	185
Museum improvements	56,016	24,400	19,340	5,060
Fireworks	12,500	22,000	21,525	475
Small assets	-	-	10,552	(10,552)
Miscellaneous	-	45,500	45,081	419
Capital projects	-	13,258	2,273	10,985
Total Expenditures	<u>75,016</u>	<u>677,133</u>	<u>530,453</u>	<u>146,680</u>
Revenues over (under) Expenditures	<u>96,284</u>	<u>(483,133)</u>	<u>(335,319)</u>	<u>147,814</u>
Other financing sources and uses:				
Transfers in	-	133,500	133,500	-
Total other financing sources and uses	<u>-</u>	<u>133,500</u>	<u>133,500</u>	<u>-</u>
Net Change in Fund Balances	96,284	(349,633)	(201,819)	147,814
Fund Balance at Beginning of Year	<u>1,182,004</u>	<u>1,182,004</u>	<u>1,182,004</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,278,288</u>	<u>\$ 832,371</u>	<u>\$ 980,185</u>	<u>\$ 147,814</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
JUNE 30, 2019

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2019	\$1.21	\$ 185,266,004	\$ 2,237,121	\$ -	\$ 2,237,121	\$ -	\$ -	\$ 2,237,121
2018	1.21	183,131,696	2,211,386	2,175,356	36,030	(15,574)	2,134,948	60,864
2017	1.21	183,444,653	2,212,920	83,899	-	(6,805)	69,692	7,402
2016	1.23	175,652,631	2,160,565	4,849	-	-	4,030	819
2015	1.23	174,738,487	2,155,335	157	-	-	-	157
2014	1.23	175,884,882	2,163,382	1,890	-	-	-	1,890
2013	1.23	176,525,774	2,171,302	71	-	-	-	71
2012	1.23	176,045,704	2,165,379	1,116	-	-	-	1,116
2011	1.23	172,560,623	2,122,526	188	-	-	-	188
2010	0.86	160,123,486	1,377,074	-	-	-	-	-
				<u>\$ 2,267,526</u>	<u>\$ 2,273,151</u>	<u>\$ (22,379)</u>	<u>\$ 2,208,670</u>	<u>\$ 2,309,628</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT
JUNE 30, 2019

Year Ending June 30,	EESI Loan		2004 - QZAB Bonds		Refunding Bond Series 2012		Bond Series 2019		Refunding Bond Series 2010		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 320,000	\$ 129,662	\$ 55,000	\$ 44,699	\$ 420,000	\$ 6,300	\$ 20,944	\$ 3,878	\$ 926,705	\$ 184,539
2021	35,232	-	75,529	-	325,000	123,260	55,000	42,698	-	-	21,642	3,596	512,403	169,554
2022	26,436	-	-	-	335,000	116,355	60,000	40,499	-	-	22,340	3,281	443,776	160,135
2023	-	-	-	-	340,000	108,817	60,000	38,299	-	-	23,039	2,835	423,039	149,951
2024	-	-	-	-	350,000	100,318	65,000	36,099	-	-	23,737	2,373	438,737	138,790
2025	-	-	-	-	360,000	91,568	65,000	33,699	-	-	24,784	1,899	449,784	127,166
2026	-	-	-	-	365,000	82,118	70,000	31,224	-	-	25,831	1,403	460,831	114,745
2027	-	-	-	-	375,000	72,262	70,000	28,674	-	-	26,878	886	471,878	101,822
2028	-	-	-	-	385,000	61,950	70,000	25,830	-	-	17,446	349	472,446	88,129
2029	-	-	-	-	395,000	50,400	75,000	22,767	-	-	-	-	470,000	73,167
2030	-	-	-	-	410,000	38,550	75,000	19,687	-	-	-	-	485,000	58,237
2031	-	-	-	-	420,000	26,250	75,000	16,312	-	-	-	-	495,000	42,562
2032	-	-	-	-	420,000	13,125	80,000	12,487	-	-	-	-	500,000	25,612
2033	-	-	-	-	-	-	80,000	8,325	-	-	-	-	80,000	8,325
2034	-	-	-	-	-	-	80,000	4,162	-	-	-	-	80,000	4,162
	<u>\$ 96,900</u>	<u>\$ -</u>	<u>\$ 151,058</u>	<u>\$ -</u>	<u>\$ 4,800,000</u>	<u>\$ 1,014,635</u>	<u>\$ 1,035,000</u>	<u>\$ 405,461</u>	<u>\$ 420,000</u>	<u>\$ 6,300</u>	<u>\$ 206,641</u>	<u>\$ 20,500</u>	<u>\$ 6,709,599</u>	<u>\$ 1,446,896</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS
JUNE 30, 2019

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		2011 Refunding Bonds		Local Government Loan Program Bond, Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 277,620	\$ 51,401	\$ -	\$ 40,916	\$ 250,000	\$ 138,293	\$ 165,000	\$ 2,475	\$ 97,000	\$ 51,510	\$ 789,620	\$ 284,595
2021	286,874	47,653	78,625	40,405	265,000	124,650	-	-	98,000	48,600	728,499	261,308
2022	296,128	43,494	80,750	39,328	270,000	119,350	-	-	100,000	45,660	746,878	247,832
2023	305,382	37,571	80,750	38,137	275,000	113,950	-	-	101,000	42,660	762,132	232,318
2024	314,636	31,464	82,875	36,828	280,000	108,450	-	-	102,000	39,630	779,511	216,372
2025	328,517	25,171	82,875	35,398	290,000	100,050	-	-	104,000	36,570	805,392	197,189
2026	342,398	18,601	85,000	33,824	300,000	91,350	-	-	105,000	33,450	832,398	177,225
2027	356,279	11,753	87,125	32,058	310,000	82,350	-	-	106,000	30,300	859,404	156,461
2028	231,353	4,627	89,250	30,118	320,000	73,050	-	-	108,000	27,120	748,603	134,915
2029	-	-	91,375	28,040	325,000	63,450	-	-	109,000	23,880	525,375	115,370
2030	-	-	93,500	25,821	335,000	53,700	-	-	111,000	20,610	539,500	100,131
2031	-	-	95,625	23,456	345,000	43,650	-	-	112,000	17,280	552,625	84,386
2032	-	-	97,750	20,966	360,000	33,300	-	-	114,000	13,920	571,750	68,186
2033	-	-	102,000	18,293	370,000	22,500	-	-	115,000	10,500	587,000	51,293
2034	-	-	104,125	15,433	380,000	11,400	-	-	117,000	7,050	601,125	33,883
2035	-	-	106,250	12,408	-	-	-	-	117,900	3,540	224,150	15,948
2036	-	-	110,500	9,155	-	-	-	-	-	-	110,500	9,155
2037	-	-	114,750	5,634	-	-	-	-	-	-	114,750	5,634
2038	-	-	116,875	1,899	-	-	-	-	-	-	116,875	1,899
	<u>\$ 2,739,187</u>	<u>\$ 271,735</u>	<u>\$ 1,700,000</u>	<u>\$ 488,117</u>	<u>\$ 4,675,000</u>	<u>\$ 1,179,493</u>	<u>\$ 165,000</u>	<u>\$ 2,475</u>	<u>\$ 1,716,900</u>	<u>\$ 452,280</u>	<u>\$ 10,996,087</u>	<u>\$ 2,394,100</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - NATURAL GAS FUND
JUNE 30, 2019

Year Ending June 30,	2012 General Obligation Bonds		2012 General Obligation Bonds		2019 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,436	\$ 266	\$ -	\$ 55,357	\$ 75,000	\$ 38,293	\$ 76,436	\$ 93,916
2021	1,484	246	106,375	54,665	80,000	34,400	187,859	89,311
2022	1,532	225	109,250	53,209	75,000	32,800	185,782	86,234
2023	1,579	194	109,250	51,598	80,000	31,300	190,829	83,092
2024	1,627	163	112,125	49,826	75,000	29,700	188,752	79,689
2025	1,699	130	112,125	47,892	80,000	27,450	193,824	75,472
2026	1,771	96	115,000	45,761	80,000	25,050	196,771	70,907
2027	1,843	61	117,875	43,373	80,000	22,650	199,718	66,084
2028	1,196	24	120,750	40,747	85,000	20,250	206,946	61,021
2029	-	-	123,625	37,936	90,000	17,700	213,625	55,636
2030	-	-	126,500	34,934	95,000	15,000	221,500	49,934
2031	-	-	129,375	31,735	100,000	12,150	229,375	43,885
2032	-	-	132,250	28,366	95,000	9,150	227,250	37,516
2033	-	-	138,000	24,749	100,000	6,300	238,000	31,049
2034	-	-	140,875	20,880	110,000	3,300	250,875	24,180
2035	-	-	143,750	16,787	-	-	143,750	16,787
2036	-	-	149,500	12,387	-	-	149,500	12,387
2037	-	-	155,250	7,623	-	-	155,250	7,623
2038	-	-	158,125	2,569	-	-	158,125	2,569
	<u>\$ 14,167</u>	<u>\$ 1,405</u>	<u>\$ 2,300,000</u>	<u>\$ 660,394</u>	<u>\$ 1,300,000</u>	<u>\$ 325,493</u>	<u>\$ 3,614,167</u>	<u>\$ 987,292</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - LEXINGTON ELECTRIC DEPARTMENT
JUNE 30, 2019

Year Ending June 30,	Revenue Refunding Bond Series 2017		Series 2011 Revenue Bonds		Series 2018 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 400,000	\$ 136,631	\$ 265,000	\$ 223,156	\$ 110,000	\$ 97,618	\$ 775,000	\$ 457,405
2021	410,000	128,631	270,000	216,806	115,000	93,218	795,000	438,655
2022	420,000	120,431	280,000	210,268	120,000	88,618	820,000	419,317
2023	425,000	112,031	290,000	202,962	120,000	85,018	835,000	400,011
2024	435,000	103,531	295,000	194,731	125,000	80,218	855,000	378,480
2025	445,000	94,831	310,000	185,656	130,000	75,218	885,000	355,705
2026	450,000	85,931	320,000	176,006	140,000	70,018	910,000	331,955
2027	460,000	75,806	335,000	165,562	145,000	64,418	940,000	305,786
2028	475,000	65,456	345,000	154,297	150,000	60,068	970,000	279,821
2029	485,000	53,581	360,000	142,176	150,000	55,568	995,000	251,325
2030	495,000	41,456	375,000	129,079	155,000	51,068	1,025,000	221,603
2031	510,000	28,463	390,000	114,969	160,000	46,418	1,060,000	189,850
2032	525,000	14,438	405,000	100,062	165,000	41,618	1,095,000	156,118
2033	-	-	425,000	84,234	170,000	36,668	595,000	120,902
2034	-	-	445,000	67,100	175,000	31,143	620,000	98,243
2035	-	-	465,000	48,900	180,000	25,455	645,000	74,355
2036	-	-	485,000	29,900	190,000	19,605	675,000	49,505
2037	-	-	505,000	10,100	195,000	13,430	700,000	23,530
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 5,935,000</u>	<u>\$ 1,061,217</u>	<u>\$ 6,565,000</u>	<u>\$ 2,455,964</u>	<u>\$ 2,895,000</u>	<u>\$ 1,042,185</u>	<u>\$ 15,395,000</u>	<u>\$ 4,559,366</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2019

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Oustanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Oustanding 6/30/2019
Governmental Activities									
BONDS PAYABLE									
Payable through City of Lexington General Fund									
Public Works Refunding & Improvement Bonds, Series 2009 General Portion	\$ 1,140,000	2.00 to 5.00%	4/16/2019	4/1/2034	\$ 865,000	\$ -	\$ -	\$ 865,000	\$ -
2012 General Obligation Public Improvement Bonds General Portion	\$ 140,927	1.00 - 2.00%	10/18/2012	4/1/2028	102,234	-	9,124	-	93,110
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	-	830,000	-	-	830,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund					<u>967,234</u>	<u>830,000</u>	<u>9,124</u>	<u>865,000</u>	<u>923,110</u>
BONDS PAYABLE									
Payable through City of Lexington General Purpose School Fund									
Public Works Refunding & Improvement Bonds, Series 2009 School Portion	\$ 305,000	2.00 to 5.00%	4/16/2019	4/1/2034	215,000	-	-	215,000	-
Public Works Refund Bonds, Series 2019 School Portion	\$ 205,000	2.00 to 3.00%	2/7/2019	3/1/2034	-	205,000	-	-	205,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>215,000</u>	<u>205,000</u>	<u>-</u>	<u>215,000</u>	<u>205,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2004 Qualified Zone Academy Bonds	\$ 1,208,462	0.00%	11/24/2005	11/24/2020	226,586	-	75,529	-	151,057
2010 General Obligation Refund Bonds	\$ 3,125,000	2.50%	1/1/2011	3/1/2020	830,000	-	410,000	-	420,000
2012 School Refunding Bonds	\$ 6,900,000	1.00 - 3.125%	12/1/2012	6/1/2032	5,115,000	-	315,000	-	4,800,000
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	124,657	-	11,122	-	113,535
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>6,296,243</u>	<u>-</u>	<u>811,651</u>	<u>-</u>	<u>5,484,592</u>
TOTAL BONDS PAYABLE					<u>\$ 7,478,477</u>	<u>\$ 1,035,000</u>	<u>\$ 820,775</u>	<u>\$ 1,080,000</u>	<u>\$ 6,612,702</u>
OTHER LOANS PAYABLE									
Payable through City of Lexington General Purpose School Fund									
Energy Efficient Schools Initiative Loan	\$ 352,332	0.00%	4/4/2011	4/4/2021	\$ 132,132	\$ -	\$ 35,232	\$ -	\$ 96,900
TOTAL OTHER LOANS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>\$ 132,132</u>	<u>\$ -</u>	<u>\$ 35,232</u>	<u>\$ -</u>	<u>\$ 96,900</u>
Business-Type Activities									
BONDS PAYABLE									
Payable through Lexington Electric System									
Revenue Refunding Bond - Series 2017	\$ 6,810,000	2.00 to 2.75%	3/1/2017	3/1/2028	6,330,000	-	395,000	-	5,935,000
Electric Revenue Bonds - Series 2011	\$ 8,250,000	2.00 to 4.00%	9/8/2011	9/1/2036	6,820,000	-	255,000	-	6,565,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	5/22/2018	3,000,000	-	105,000	-	2,895,000
TOTAL BONDS PAYABLE - Payable through Lexington Electric System					<u>\$ 16,150,000</u>	<u>\$ -</u>	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ 15,395,000</u>
BONDS PAYABLE									
Payable through Lexington Gas System Fund									
Public Works Refunding & Improvement Bonds, Series 2009 Gas Portion	\$ 1,880,000	2.00 to 5.00%	4/16/2019	4/1/2034	\$ 1,370,000	\$ -	\$ -	\$ 1,370,000	\$ -
2011 Gas Refunding Bonds	\$ 2,455,000	2.00 to 3.00%	3/1/2011	3/1/2020	330,000	-	330,000	-	-
G.O. Public Improvement Bonds, Series 2012 Gas Portion	\$ 21,441	1.00 to 2.00%	10/18/2012	4/1/2028	15,555	-	1,388	-	14,167
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	2,300,000	-	-	-	2,300,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	-	1,300,000	-	-	1,300,000
TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund					<u>\$ 4,015,555</u>	<u>\$ 1,300,000</u>	<u>\$ 331,388</u>	<u>\$ 1,370,000</u>	<u>\$ 3,614,167</u>
BONDS PAYABLE									
Payable through Lexington Water System Fund									
Public Works Refunding & Improvement Bonds, Series 2009 Gas Portion	\$ 4,915,000	2.00 to 5.00%	4/16/2019	4/1/2034	\$ 4,915,000	\$ -	\$ -	\$ 4,915,000	\$ -
2011 Water Refunding Bonds	\$ 2,960,000	2.00 to 3.00%	3/1/2011	3/1/2020	325,000	-	160,000	-	165,000
G. O. Public Improvement Bonds, Series 2012 Water Portion	\$ 4,145,797	1.00 to 2.00%	10/18/2012	4/1/2028	3,007,554	-	268,367	-	2,739,187
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,700,000	-	-	-	1,700,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	-	4,675,000	-	-	4,675,000
TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 9,947,554</u>	<u>\$ 4,675,000</u>	<u>\$ 428,367</u>	<u>\$ 4,915,000</u>	<u>\$ 9,279,187</u>
OTHER LOANS PAYABLE									
Payable through Lexington Water System Fund									
Local Government Loan Program Bond, Series 2015	\$ 2,000,000	Variable Rate	8/27/2015	5/25/2035	\$ 1,813,000	\$ -	\$ 96,100	\$ -	\$ 1,716,900
TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 1,813,000</u>	<u>\$ -</u>	<u>\$ 96,100</u>	<u>\$ -</u>	<u>\$ 1,716,900</u>

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2019

<u>Tax Year</u>	<u>Outstanding Balance</u>
2017	\$ 7,402
2016	819
2015	157
2014	1,890
2013	71
2012	1,116
2011	188
2010	-
2009	-
2008	-
Total	<u>\$ 11,643</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2019

GAS FUND				
Residential Rate	Minimum	Base Rate	+	PGA Rate
First 500 cubic feet (minimum)	\$ 6.70			
Over 500 cubic feet: Inside city (per MCF)		\$ 1.89	+	current PGA = Rate MCF
Outside city (per MCF)		\$ 2.72	+	current PGA = Rate Per MCF
Small Commercial Rate				
First 500 cubic feet (minimum)	\$ 7.50			
Over 500 cubic feet: Inside city (per MCF)		\$ 2.83	+	current PGA = Rate Per MCF
Outside city (per MCF)		\$ 3.78	+	current PGA = Rate Per MCF
Medium Commercial Rate				
First 1,500 cubic feet (minimum)	\$ 24.85			
Over 1,500 cubic feet: Inside city (per MCF)		\$ 3.06	+	current PGA = Rate Per MCF
Outside city (per MCF)		\$ 4.01	+	current PGA = Rate Per MCF
Large Commercial Rate				
First 10,000 cubic feet (minimum)	\$ 124.60			
Over 10,000 cubic feet: Inside city (per MCF)		\$ 3.19	+	current PGA = Rate Per MCF
Outside city (per MCF)		\$ 4.14	+	current PGA = Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 2.77		
Number of customers at year end:	<u>9,102</u>			

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases.

WATER RATES

INSIDE CITY LIMITS - Customer Charge 0-2,000 gallons

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$9.07 +	\$1.00 +	\$5.00 =	\$15.07
1"	\$12.63 +	\$1.00 +	\$5.00 =	\$18.63
1.5"	\$16.20 +	\$1.00 +	\$5.00 =	\$22.20
2"	\$26.01 +	\$1.00 +	\$5.00 =	\$32.01
3"	\$98.25 +	\$1.00 +	\$5.00 =	\$104.25
4"	\$125.00 +	\$1.00 +	\$5.00 =	\$131.00
6"	\$187.43 +	\$1.00 +	\$5.00 =	\$193.43

Consumption Rate Over 2,000 gallons = \$2.57 Per 1,000 gallons

OUTSIDE CITY LIMITS - Customer Charge 0-2,000 gallons

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$16.25 +	\$1.60 +	\$7.00 =	\$24.85
1"	\$22.68 +	\$1.60 +	\$7.00 =	\$31.28
1.5"	\$29.09 +	\$1.60 +	\$7.00 =	\$37.69
2"	\$46.74 +	\$1.60 +	\$7.00 =	\$55.34
3"	\$176.69 +	\$1.60 +	\$7.00 =	\$185.29
4"	\$224.82 +	\$1.60 +	\$7.00 =	\$233.42
6"	\$337.13 +	\$1.60 +	\$7.00 =	\$345.73

Consumption Rate Over 2,000 gallons = \$2.57 Per 1,000 gallons

BULK WATER - Consumption Rate = \$3.60 Per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR END: 10,020

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$15.36	5/8"	\$32.24
1"	\$15.36	1"	\$32.24
1.5"	\$37.87	Flat Rate	\$44.87
2"	\$37.87		
3"	\$63.44		
4"	\$63.44		
6"	\$63.44		

Usage Rate Over 2,000 gallons = \$4.21 Per 1,000 gallons

SEWER CUSTOMERS WITH WELLS

Customer Charge (based on 5,000 gallons) = \$27.99 Flat Rate

NUMBER OF CUSTOMERS AT YEAR END: 3,772

GARBAGE RATES

Residential and housing project	\$ 12.75	Class 1	\$ 78.50
Commercial	\$ 23.50	Class 2	\$137.50
		Class 3	\$196.50
		Class 4	\$255.25

NUMBER OF CUSTOMERS AT YEAR END: 3,686

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
JUNE 30, 2019

Electric Department

Residential Rate Schedule - RS	
Customer Charge - per delivery point per month	\$ 15.50
Energy Charges - cents per kWh	0.09759
General Power Rate Schedule - GSA	
GSA-1 (0.50 kw)	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.11103
GSA-2 (51-1,000 kw)	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	14.06
Energy charge - per kw - First 15,000 kWh	0.11003
- Additional kWh	0.06454
GSA-3 (1,000-5,000 kw)	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	13.72
- Excess over 1,000 kW	16.23
Energy charge - per kW	0.06638
GSB	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.87
Energy charge - cents per kWh use of metered demand per month	0.08169
OffPeak:	
All kW - per kW per month	\$ 10.87
Energy charge - first 200 HUD	0.05678
Next 200 HUD	0.02220
Additional HUD	0.01879
GSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	10.87
Energy charge - cents per kWh use of metered demand per month	0.08169
OffPeak:	
All kW - per kW per month	\$ 4.70
Energy charge - first 200 HUD	0.05678
Next 200 HUD	0.02220
Additional HUD	0.01879
GSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.87
Energy charge - cents per kWh use of metered demand per month	0.08169
OffPeak:	
All kW - per kW per month	\$ 4.59
Energy charge - first 200 HUD	0.05678
Next 200 HUD	0.02106
Additional HUD	0.01879
MSB	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.74500
OffPeak:	
All kW - per kW per month	\$ 2.26
Energy charge - first 200 HUD	0.04950
Next 200 HUD	0.01981
Additional HUD	0.01726
MSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.07338
OffPeak:	
All kW - per kW per month	\$ 1.75
Energy charge - first 200 HUD	0.04837
Next 200 HUD	0.02122
Additional HUD	0.02122
MSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.07111
OffPeak:	
All kW - per kW per month	\$ 1.64
Energy charge - first 200 HUD	0.04610
Next 200 HUD	0.01953
Additional HUD	0.01894
OL	
Energy charge	0.06683

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2019

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Contract Number	Expenditures
FEDERAL AWARDS			
Department of Defense			
State Department of General Services			
Law Enforcement Support Office - Program 1033 Non-cash Assistance	12.005	n/a	\$ 99,294
Total Department of Defense			<u>99,294</u>
Department of Housing and Urban Development			
Community Development Block Grant Program - Water System Improvement	14.228	n/a	36,078
2017 Home Program	14.239	HM17-13	192,404
Department of Justice			
STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	n/a	37,348
Bulletproof Vest Partnership Program	16.607	n/a	550
Public Safety Partnership and Community Policing Grants	16.710	2018SVWX0082	206,598
Total Department of Justice			<u>244,496</u>
Department of Homeland Security			
FEMA Fire Brush Truck	97.044	EMW-2016-FV-00997	169,524
Department of Transportation - General Government			
West TN Distracted Driving Project 2018	20.600	Z-18-THS-178	486
THSO 2019 Fire Dept Extrication Project	20.600	n/a	11,813
Governor's Highway Safety Office - Network Coordinator	20.600	Z19THS161	13,818
Governor's Highway Safety Office - Network Coordinator	20.600	Z-18-THS-179	5,410
Total for CFDA #	20.600		<u>31,527</u>
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z19THS162	10,281
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-18-THS-177	3,222
Total for CFDA #	20.607		<u>13,503</u>
Total Department of Transportation			<u>45,030</u>
TOTAL FEDERAL AWARDS			<u>786,826</u>
STATE FINANCIAL ASSISTANCE			
Tennessee Department of Transportation			
SR -20 Community Access Transportation Plan Phase UU	N/A	39LPLM-S3-030	10,260
Tennessee Department of Economic & Community Development			
Site Development Grant Program	N/A	N/A	53,859
Passed through Henderson County			
Assisting "Engineered Spray Components, LLC" - FIDP	N/A	N/A	61,400
State Law Enforcement Grant	N/A	N/A	15,000
State Fire Grant Supplement	N/A	N/A	7,800
TOTAL STATE AWARDS			<u>148,319</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 935,145</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarized the expenditures of the Town of Lexington, Tennessee, under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the modified accrual basis of accounting.

Note 2: Single Audit

Single Audit reports required by OMB Uniform Guidance have been filed as part of the individual audit reports of Lexington City Schools. The awards that Lexington City Schools received have not been included in the above schedule.

Note 3: Lexington Electric System

The awards that Lexington Electric System received have not been included in the above schedule.

Note 4: Indirect Cost Rate

The City of Lexington has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

The accompanying notes are an integral part of these financial statements.

**AWWA Free Water Audit Software:
 Reporting Worksheet**

WAS v5.0
 American Water Works Association.
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? Click to access definition
 + Click to add a comment

Water Audit Report for: Lexington Water System (0000402)
 Reporting Year: 2019 7/2018 - 6/2019

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' -----				Pcnt:		Value:			
Volume from own sources:	+ ?	<input type="text" value="10"/>	<input type="text" value="1,148.523"/>	MG/Yr	+ ?	<input type="text" value="5"/>	<input type="text" value="-1.00%"/>	<input type="text" value="b"/>	MG/Yr
Water imported:	+ ?	<input type="text" value="10"/>	<input type="text" value="1.185"/>	MG/Yr	+ ?	<input type="text" value="4"/>	<input type="text" value=""/>	<input type="text" value="b"/>	MG/Yr
Water exported:	+ ?	<input type="text" value="7"/>	<input type="text" value="4.982"/>	MG/Yr	+ ?	<input type="text" value="4"/>	<input type="text" value=""/>	<input type="text" value="b"/>	MG/Yr

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	<input type="text" value="10"/>	<input type="text" value="735.481"/>	MG/Yr
Billed unmetered:	+ ?	<input type="text" value="8"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	+ ?	<input type="text" value="9"/>	<input type="text" value="34.747"/>	MG/Yr
Unbilled unmetered:	+ ?	<input type="text" value="5"/>	<input type="text" value="14.454"/>	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

Click here: ?
 for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

Pcnt: Value:

Pcnt: Value:
 Pcnt: Value:

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: + ? MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? MG/Yr

Systematic data handling errors: + ? MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	<input type="text" value="7"/>	<input type="text" value="680.0"/>	miles
Number of active AND inactive service connections:	+ ?	<input type="text" value="7"/>	<input type="text" value="11,394"/>	
Service connection density:	?		<input type="text" value="17"/>	conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system:	+ ?	<input type="text" value="10"/>	<input type="text" value="\$4,238,684"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	<input type="text" value="8"/>	<input type="text" value="\$7.94"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	<input type="text" value="8"/>	<input type="text" value="\$389.75"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 87 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Customer metering inaccuracies

**AWWA Free Water Audit Software:
 System Attributes and Performance Indicators**

WAS v5.0

American Water Works Association.
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Water Audit Report for:
 Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

	Apparent Losses:	<input type="text" value="12.510"/>	MG/Yr
	+ Real Losses:	<input type="text" value="359.136"/>	MG/Yr
	= Water Losses:	<input type="text" value="371.645"/>	MG/Yr

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
 Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day: gallons/connection/day
 Real Losses per length of main per day*: gallons/mile/day
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Aldermen
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated January 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below as SAF 2018-001 to be a material weakness.

SAF 2019-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2018-01: All schools.

Condition: The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each school's bookkeeper. At some schools, the person opening the mail does not prepare a collection log.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual* Section 6, Title 5, Page 6-7 states, "When designing your transaction processes, there should be a clear segregation of duties and responsibilities performed by personnel such that no single person could initiate, approve, execute, and enter transactions into your system in a manner that would enable fraudulent actions to be perpetrated and concealed." Regarding the revenue/collection cycle, the *TISUAPM* Section 4, Title 2, Page 4-8 states, "To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records, and reconciling bank accounts." Regarding the purchasing/disbursement cycle, the *TISUAPM* Section 4, Title 2, Page 4-10 states, "To the extent possible, the following duties should not be performed by the same person: approving requisitions, preparing purchase authorizations, receiving goods or services, approving payment, preparing checks, signing checks, and preparing bank reconciliations."

Cause: Not enough available staff.

Effect: Weakened internal controls.

Recommendation: An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary.

Managements' Responses: *Caywood Elementary School and Lexington Middle School*

The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lexington, Tennessee's Response to Findings

The City of Lexington, Tennessee's response to the findings identified in our audit is described above. The City of Lexington, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Madwin & Associates, PLLC

January 24, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Aldermen
Lexington, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Lexington, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moelner & Associates, PLLC

January 24, 2020

**CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2019**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
SAF 2018-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2019-001

Federal Award Findings and Questioned Costs

There were no prior findings reported.

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – Summary of Auditor’s Results

Financial Statements:

1. Our report on the financial statements of City of Lexington Tennessee is unmodified.
2. Internal Control Financial Reporting:
 - Material weakness identified? No
 - Significant deficiency identified? No
3. Noncompliance material to the financial statements noted No

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - Material weakness identified: No
 - Significant deficiency identified? None Reported
5. Type of report auditor issued on compliance for major programs: Unmodified
6. Any Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No
7. Identification of Major Federal Programs:
 - CFDA 14.239 – Home Investment Partnerships Program
 - CFDA 16.710 – Public Safety Partnership and Community Policing Grants
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No

SECTION II – Financial Statement Findings

NONE

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

INTERNAL SCHOOLS FUND

SAF 2019 – 001 INADEQUATE SEGREGATION OF DUTIES (original finding SAF 2007-01)

Finding: The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each individual school's bookkeeper.

Section 4, Title 2, Page 4-6 of the *Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM)* details the minimum recommended internal controls. It explains that a good internal control structure cannot exist when the same person who receives cash also prepares the deposit slips, makes deposits, and reconciles the bank statement. Someone other than the person recording the cash receipts and preparing the deposit slips should make the deposit and reconcile the bank statement.

Schools Still Deficient From the Prior Period Audit Finding: Caywood Elementary and Lexington Middle School.

Recommendation: An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary. At a minimum, a second person should be selected to make deposits and reconcile the bank statements.

SECTION III – Federal Award Findings and Questioned Costs

NONE

CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2019

INTERNAL SCHOOL FUNDS

SAF FINDING 2019 - 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Anticipated completion date

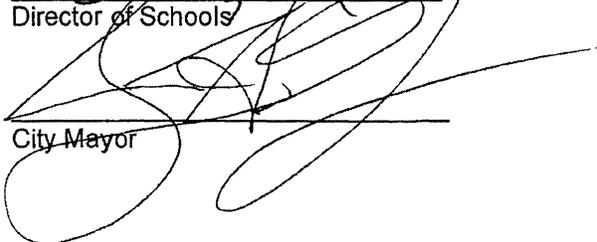
Immediately

Responsible party

Each individual school's principal



Director of Schools



City Mayor